







Digitized by the Internet Archive  
in 2022 with funding from  
University of Toronto

<https://archive.org/details/31761114686082>







CA26N  
XC21  
- P71

Government  
Publications



# **FINAL REPORT STANDING PUBLIC ACCOUNTS COMMITTEE**

The Legislative Assembly of Ontario  
3rd Session. 31st Parliament  
28 Elizabeth II, 1979

**DECEMBER, 1979**







Government  
Publications

**FINAL REPORT  
STANDING  
PUBLIC ACCOUNTS  
COMMITTEE**



The Legislative Assembly of Ontario  
3rd Session. 31st Parliament  
28 Elizabeth II, 1979

**DECEMBER, 1979**

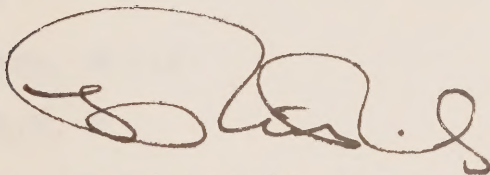




TO: THE HONOURABLE J.E. STOKES  
Speaker of the Legislative Assembly of the Province of Ontario

Sir:

On behalf of the Members of the Standing Public Accounts Committee appointed by the Legislative Assembly of the Province of Ontario on March 8, 1979 and to which Committee the Report of the Provincial Auditor for 1977 - 78 and the Public Accounts for 1977 - 78 were referred, I have the honour of submitting the attached report.



T. Patrick Reid, M.P.P.  
Rainy River  
Chairman





## STANDING PUBLIC ACCOUNTS

## COMMITTEE

## FINAL REPORT

THE LEGISLATIVE ASSEMBLY OF ONTARIO  
THIRD SESSION: THIRTY-FIRST PARLIAMENT  
28 Elizabeth II, 1979

MEMBERS

T. Patrick Reid, M.P.P.. Chairman	Rainy River
Ross Hall, M.P.P., Vice-Chairman	Lincoln
Bud Germa, M.P.P.	Sudbury
Sidney B. Handleman, M.P.P.	Carleton
Colin Isaacs, M.P.P. *	Wentworth
Nicholas G. Leluk, M.P.P.	York West
John P. MacBeth, M.P.P. *	Humber
Mac Makarchuk, M.P.P.	Brantford
David Peterson, M.P.P.	London Centre
Russ Ramsay, M.P.P.	Sault Ste. Marie
Edward Sargent, M.P.P.	Grey-Bruce
George Taylor, M.P.P.	Simcoe Centre

STAFF

Research Officer	Martha Fletcher
Clerk of the Committee	Andrew Richardson

---

\* Mr. Isaacs replaced Mr. Mackenzie on November 6, 1979;  
Mr. MacBeth replaced Mr. Pope on November 6, 1979.





STANDING PUBLIC ACCOUNTS COMMITTEE

FINAL REPORT

T A B L E        O F        C O N T E N T S

INTRODUCTION . . . . .	1
SUMMARY OF TESTIMONY BEGINNING NOVEMBER 9, 1978 . . . . .	3
1. Ontario Place Corporation . . . . .	3
2. The Lotteries Branch . . . . .	4
3. Liquor Licensing Board of Ontario and Leased Vehicles . . . . .	5
4. The Ontario Racing Commission . . . . .	5
5. Ontario Students Assistance Program . . . . .	6
6. A Youth Employment Program . . . . .	7
7. Grant Payments . . . . .	7
8. Sale of Properties . . . . .	8
9. Accounts Receivable . . . . .	9
10. Consulting Contracts . . . . .	9
11. Royal Commissions . . . . .	9
12. Utilization of Motor Vehicles . . . . .	10
13. Administrative Improvement in regard to Ontario Grants . . . . .	11
14. The Audit Act, Section 17 . . . . .	12
15. Liquor Control Board of Ontario . . . . .	12
16. Commission on the Northern Environment . . . . .	14
17. De-regulation . . . . .	15
18. The Ontario Research Foundation . . . . .	15
19. Legal Fees over \$1,000 . . . . .	16
20. Secretariat to Royal Commissions . . . . .	16
21. The Ontario Food Terminal . . . . .	17
22. Royal Ontario Museum (May 31, 1979) . . . . .	17
23. Ministry of Treasury and Economics - Peter Branch . . . . .	23
24. Minaki Lodge . . . . .	24
25. Royal Ontario Museum (November 22, 1979) . . . . .	23





## T A B L E      O F      C O N T E N T S    (cont'd)

CONCLUSIONS AND RECOMMENDATIONS . . . . .	24
1. Ontario Place Corporation . . . . .	24
2. The Lotteries Branch . . . . .	24
3. Liquor Licensing Board of Ontario and Leased Vehicles . . . . .	24
4. The Ontario Racing Commission . . . . .	25
5. Ontario Students Assistance Program . . . . .	25
6. A Youth Employment Program . . . . .	25
7. Grant Payments . . . . .	25
8. Sale of Properties . . . . .	25
9. Accounts Receivable . . . . .	26
10. Consulting Contracts . . . . .	26
11. Royal Commissions . . . . .	26
12. Utilization of Motor Vehicles . . . . .	27
13. Administrative Improvement in regard to Ontario Grants . . . . .	27
14. The Audit Act, Section 17 . . . . .	28
15. Liquor Control Board of Ontario . . . . .	28
16. Commission on the Northern Environment . . . . .	28
17. De-regulation . . . . .	28
18. The Ontario Research Foundation . . . . .	29
19. Legal Fees over \$1,000 . . . . .	29
20. Secretariat to Royal Commissions . . . . .	29
21. The Ontario Food Terminal . . . . .	30
22. Royal Ontario Museum (May 31, 1979) . . . . .	30
23. Ministry of Treasury and Economics - Peter Branch . . . . .	30
24. Minaki Lodge . . . . .	31
25. Royal Ontario Museum (November 22, 1979) . . . . .	31



## STANDING PUBLIC ACCOUNTS COMMITTEE

### FINAL REPORT

#### *INTRODUCTION*

The Standing Public Accounts Committee held 21 meetings in 1979 and held hearings on 22 different subjects. The Committee also furthered its commitment to broadening its understanding of the legislative and government processes. In this regard, the Committee had before it Mr. Alan Gordon from the Premier's office to discuss progress in de-regulation. As well, the Committee viewed a film on comprehensive auditing that was the result of the 100th anniversary of the Auditor General's office of Canada.

A special committee of the Public Accounts Committee, composed of the Chairman and a member of the Conservative and NDP parties, met numerous times to discuss agendas and other items of concern.

The Chairman also convened a meeting of all Public Accounts Chairmen from across Canada, in Saint John's, Newfoundland, in August to discuss matters of mutual concern and to upgrade the performance and knowledge of all Public Accounts Committees.

This conference, the first ever, was held in conjunction with the Annual Meeting of the Provincial Auditors from across Canada. It is expected that a second meeting will be held in Winnipeg next summer.

A welcome addition to the Committee has been Ms. Martha Fletcher from the Legislative Library. Ms. Fletcher has been of great benefit to the functioning of the Committee and will assist in research, analysis and writing of the report.

The Committee, following the new Audit Act of 1977 and its ability to survey expenditures of crown and crown-controlled corporations and those who receive government assistance, also dealt with the Ontario Food Terminal, the Liquor Control Board of Ontario, the Ontario Research Foundation and the Royal Ontario Museum.

The Committee also expresses its appreciation to the ministries for their written replies to the items raised in the Auditor's report. This material and other background material presented to the Committee may be found either in the Clerk's office or the Legislative Library.





This Final Report also presents a new format in that a brief summary of the hearing is presented along with the conclusions and recommendations of the Committee.

The Committee would like to thank the Auditor and his staff for their assistance and co-operation and would like particularly to congratulate the Auditor on having received his FCA (Fellow of the Institute of Chartered Accountancy).

NOTE TO THE READER: \*\*\*\*\*  
\*  
\*  
\* In the following report there are number indicators in the margin \*  
\* of the report. \*  
\*  
\*  
\*  
\* These numbers are referenced in the Recommendations and Conclusions \*  
\* in the final section of the report. \*  
\*  
\*\*\*\*\*





STANDING COMMITTEE ON PUBLIC ACCOUNTS

Summary of Testimony Beginning November 9, 1978

At the November 9 and February 19, 1979 meetings of the Public Accounts Committee, officials of the Ontario Place Corporation came before the Committee to discuss the problem of weakness in internal control documented by the Provincial Auditor in s. 117 of his Report for the year ending March 31, 1977.

The major question raised was that of whether or not lax administrative procedures in Ontario Place Corporation had contributed to Mr. Casey's success in defrauding the Corporation, and, if so, what had been and/or could be done to tighten these procedures. The Corporation generally conceded that the procedures had been lax (though there was disagreement about the extent to which they were or were not the customary practices in comparable private enterprises) and that new ones involving more officials in each contract and disbursement had already been instituted. These new procedures also included auditing by Ministry auditors.

There was some disagreement about the appropriate role of the Corporation's Board of Directors, and the extent to which they would, could, or should act as watchdogs on slipshod management. One member of the Committee suggested that the Ontario Place Corporation Act might well be amended to emphasize the Board's responsibility.

Subsidiary questions included the matter of control of expense accounts of Corporation officials, with Mr. Casey as an example; and, in light of s. 117 of the Auditor's Report, whether the maximum return was being gained from the concessions and other operations in the light of the goal of eliminating the need for provincial grants to support Ontario Place.

On the question of auditing generally, it was noted that there is no common method of preparing statements by boards



and agencies such as this one or the St. Lawrence Park Commission and the Niagara Falls Parks Commission, so that one could compare the operations of these organizations. The Auditor agreed that such standardization would be useful.

\* \* \* \* \*

At the February 19 meeting of the Public Accounts Committee, officials of the Ministry of Consumer and Commercial Relations came before the Committee to discuss the question of *non-compliance* with relevant legislation by the Lotteries Branch and the Insurance Division as reported in s. 51 of the Auditor's *Report* for the year ending March 31, 1978.

The Lotteries Branch operates in the light of order in council regulations governing the terms and conditions for the issuing of licences to run a lottery. The licence is to be granted to a "charitable" organization, and requirements are set regarding management costs and the return on the event: administrative expenses shall not exceed fifteen percent of gross receipts and charity must gain no less than twenty percent of the gross receipts.

The view of the Lotteries Branch, that the regulations are not fixed standards, the breach of which would result necessarily in revocation of the licence, but instead are guidelines by which the Branch would evaluate a licensee's performance, was questioned by several members of the Committee. It is clear that the Branch exercises considerable discretion in the granting of licences, in terms of the definition of a charitable organization and in terms of the extent to which the regulations are adhered to and what constitutes in the Branch's view, an adequate reason for failure to meet the terms of the regulations. It was noted as well, that the regulations call for an irrevocable letter of credit from a bank to support a prize offering of ten thousand dollars or greater, and that that rule had not been uniformly enforced. The Branch informed the Committee that the letter will be uniformly demanded in the future.

\* \* \* \* \*





Also at the February 19 meeting, officials of the Liquor Licence Board came before the Committee to discuss the matter of *leased vehicles* as mentioned in s. 93 of the Auditor's Report. At issue were the decision of the Board to lease rather than buy their vehicles, the infrequent use of these vehicles by some personnel assigned them, and the conflict between the Manual of Administration which forbids the private use of government vehicles and the Board's practice of allowing private use if a mileage charge is paid by the user.

The Board's response was firstly, that recent changes in the arrangements for vehicles have substantially reduced cost per mile from the figures in the Auditor's Report. Secondly, the Board states that it is required to provide transportation by its collective agreement with the labour bargaining unit, and the union has made clear that it will oppose a change (or at least a unilateral change) in this policy. Finally, the Board was advised by Management Board that in light of the negotiated benefit of transportation, the Manual of Administration rule did not apply. And, in any case, the LLB's downward changes in costs of operation combined with a higher per mile charge to the user now makes the arrangement profitable for the Board.

Members of the Committee questioned whether or not a different agreement could be negotiated with the union to give an equal or better benefit to labour and a more economical solution to the Board, or whether private car use might be encouraged, or whether all possible options had been fully explored. The Board responded that government policy on negotiable benefits limited their options.

\* \* \* \* \*

Also at the February 19 meeting of the Committee, officials of the Ontario Racing Commission were heard on the question of the *management by results agreement* noted in s. 101 of the Auditor's Report. The Auditor had questioned the extent to which the "management by results" standards were clearly defined and measurable, and





recommended that they be refined. The Commission officials agreed that that would be desirable and discussed difficulties in doing so.

\* \* \* \* \*

At the February 20 meeting of the Committee officials from the Ministry of Education and Colleges and Universities came before the Committee to discuss the Auditor's *observations in regard to the*  
5 *Ontario Student Assistance Programme*, noted in s. 49 of the Auditor's Report. The major questions raised concerned the adequacy of methods for discovering fraud in applications for student loans and grants and the extent to which there are effective sanctions against fraud now in use. The Ministry response was that methods of monitoring and detection have been improved now that it will be possible to cross-check income data with Revenue Canada reports of income. The Ministry does still rely as well on impressions of files by verification branch personnel, opinions of student loan officers in the educational institutions, and informer's tips. In the future all applications will be checked, not just a random sample.

As for sanctions against fraud, the Ministry notes that there have been prosecutions under the Criminal Code, but that they have been handled by the federal government in view of their loan portion of the programme. Ontario has not prosecuted on its own behalf; it takes civil action to recover funds only, and the Ministry's view is that this is sufficient. A Committee member responded that this was insufficient to act as a deterrent to fraud, and noted that this matter had been discussed before the Committee as early as 1971.

Another question raised by the Committee was the means the Ministry uses to deal with those who did not repay or who simply refused to repay. The Ministry responded that collections agencies are used. The Committee expressed concern that, despite a number of years of discussion before the Committee of this matter, there are still no penalties for refusal to pay back.



A final matter of concern to Members was the eligibility standards for benefiting from this programme. The Ministry responded that the inequity of failing to recognize the special nature of farm or business assets when calculating the parent's financial status has now been mitigated. In response to a Member's concern with the principle of considering a person over the age of majority as dependent on parents for his/her educational expenses, the Ministry stated that the past experience indicated that a large portion of aid available would go to students whose parents would in fact support them in the absence of the programme if parental income were not a factor in eligibility.

\* \* \* \* \*

Also at the February 20 meeting of the Committee, officials of the Ministry of Treasury and Economics came before the Committee to discuss the *observations and recommendations* of the Auditor in regard to the Youth Employment Programme in s. 78 of his Report. The major question raised was whether difficulties in the programme had been caused by the short lead-time the Ministry had had to set it up, and whether the Ministry had had sufficient time to put proper administrative procedures into place. In this vein, the Committee discussed the difficulty in determining which aspects of a programme are "policy" and which are "management or direction". The importance of hearing the Minister on policy matters was raised. A subsidiary question dealt with whether the programme had yet been evaluated internally. The Ministry said that such a study was in progress. It was asked to supply the Committee with that study when finished, and it agreed to do so.

\* \* \* \* \*

The Ministry was also asked to respond to s. 79 of the Auditor's Report, dealing with the Auditor's *observations re grant payments*. The major concern of the Committee was that the prerogatives of the Legislature and the Lt. Governor in Council were being usurped by grant payments being made before the filing of the regulation. The Deputy Minister replied that the part paid was only a movement forward of





the cash flow and would have been adjusted later in the year had not formal approval been forthcoming. And, in any case, this was an exceptional case and not likely to reoccur. Again, it was suggested that the Minister was the proper official to discuss this question with the Committee.

\* \* \* \* \*

At the February 20 meeting of the Committee, officials of the Ministry of Transportation and Communications came before the Committee to discuss the problems raised by the *sales of surplus properties* noted in s. 75 of the Auditor's *Report*. The question of whether the terms of sale of these properties have resulted in sales for a lower price than if less rigid terms were imposed on the buyers was raised. The Ministry responded that the terms were more rigid than necessary and have been altered. In addition, brokers and multiple listings are now more frequently used. One Member noted that in his view, the Ministry had made substantial progress in this area.

Other questions dealt with included the amount of surplus land the Ministry now holds and the methods used to establish which properties were actually needed by the Ministry. And, could such land be leased to users, e.g. farmers, in the meantime? The Ministry responded that it is working along with the Ministry of Government Services in the disposal of the surplus and that it leases wherever possible. The conflict between the need of a farmer for a several-year lease and the need of the Ministry for short term obligations was noted.

Finally, in discussing errors in survey assessment which had led the Ministry to sell a property at a low price, the problem of holding individuals to account for their errors and the desirability of doing so whenever possible was noted.

\* \* \* \* \*

Also at the February 20 meeting of the Committee, officials of the Ministry of Transportation and Communications



9 discussed *deficiencies in internal control relating to accounts receivable* noted in s. 76 of the Auditor's Report. The Ministry noted that it is now sending debts for collection by a central collection agency at an earlier stage and hopes this will improve the situation. The aging of accounts receivable is now better handled following the Auditor's comments.

\* \* \* \* \*

10 This Ministry also commented on s. 77 of the Auditor's Report concerning the *improved cost controls recommended in regard to consulting contracts*. The question here was the advisability of hiring consultants on a cost-plus basis. Alternatives discussed included a straight contract, with or without a provision for accepting the low bid, and the use of in-house staff instead of consultants.

\* \* \* \* \*

11 At the February 21 meeting of the Committee, officials from the Royal Commission on Electric Power Planning appeared to discuss the Auditor's *observations on expenditures* made in s. 69 of his Report. A number of major questions were raised by the Committee concerning the arrangements surrounding the appointment of Commissioners. The propriety of having a consulting company contract for the chairmanship of a royal commission rather than have the government contract directly with the individual was questioned. As well, the problem of the appropriateness of allowing a full-time commissioner on a commission of this length to be employed on a per-diem basis was raised. Finally, some concern about the propriety of commissioners with appointments to other commission drawing per-diems from both assignments was expressed. It was noted that Management Board had recommended that full-time employees of royal commissions should be full-time employees, not companies retained.

A second major set of concerns dealt with the question of accommodation allowances, expense accounts, and their maximum size and duration. The view that full-time employees should either be on an





annual salary or that the combination of per-diem and expense account should be kept to a closely scrutinized minimum was expressed. Members were also concerned whether there was an adequate briefing on expense account rules for the Commission at the beginning. The witness stated that there was such a briefing, but that the handling of these matters had improved over time. Some Committee members expressed the view that the commissioners still need improved procedures for meeting and understanding their obligations on expenses.

The question of whether the Commission should have seconded a government lawyer rather than hire a consulting lawyer was raised; the response was that hiring an outside lawyer was common practice and in any case he was only hired to replace the seconded lawyer killed in the plane crash.

The use of the public information and participation budget and controls on its funds was another area of concern. The Commission stated that part of its mandate was to hear the views of public interest groups and that these groups had done studies which, in many instances, the Commission would have had to pay for in any case. Some question was raised concerning the qualifications of all who were funded in this manner. In a similar vein, the Commission was asked to justify expenses to hear consultants from abroad, and responded that the solutions used to solve these problems elsewhere often praised in the hearings and the Commission needed to see the extent to which they would be useful here.

It was noted by the Commission that its work did not duplicate that being done by the Legislative Assembly's Select Committee on Hydro Affairs.

\* \* \* \* \*

At the February 21 meeting of the Committee officials from the Ontario Police Commission and the Ministry of the Solicitor General came before the Committee to discuss the *apparent under-utilization*



*of motor vehicles* documented in s. 71 of the Auditor's *Report*. The main concern of the Committee was the desirability of instituting a general policy in the Ontario Government toward the acquisition and use of government vehicles generally. The question of whether it would be better public policy to have a central administration of acquisition and use for all vehicles was raised. The witness noted that the Manual of Administration sets out that private use is prohibited (though the Committee has already heard from the Liquor Licence Board testimony that that rule is not universally applied). Committee members noted inconsistencies in handling vehicles and charges from ministry to ministry, and observed that a better policy might be needed to handle the general issue.

\* \* \* \* \*

Also at its February 21 meeting, the Committee heard from officials from the Ministry of Culture and Recreation in connection with *administrative improvements in regard to Wintario grants* discussed in s. 56 of the Auditor's *Report*. The major question raised was the reliability of the information given by potential recipients in their applications for funds, the means the Ministry used to check that reliability, and the penalties for false or inaccurate statements. The Ministry responded that there is a computerized information system which is used to check applications and that there is a field audit of randomly selected applications, but that a thorough check of all applications would result in great delays in funding. A general absence of penalties for false or inaccurate statements in applications was noted. Legal action for recovery was mentioned, but the Ministry stated that that had not yet been deemed necessary. Committee members suggested that an affidavit would be useful in ensuring truth and full disclosure in applications and that an explicit intention by the Ministry to adjust grants in line with actual costs for events where prepayment has taken place on the basis of projected costs needs to be stated. It was noted that the decision on how to handle cases where support in fact comes to more than the fifty percent limit is made as a formal ministry decision on a case by case basis.

\* \* \* \* \*





14 In its meeting of April 19, the Auditor raised the question of the *proper interpretation of s. 17 of The Audit Act, 1977*. He noted that when, under the Act, he was requested by a Minister to do a special report, he was obligated to report the results of his investigation to the Minister. The Legislature and, therefore, the Committee would not normally receive the investigation results until it appeared in the Auditor's *Report* for the year. Concern was expressed by the Committee that this procedure limits the capacity of the Committee to deal with issues while they are of immediate public concern. A motion recommending that such reports be presented to the Committee at the same time they are presented to Ministers was accepted.

\* \* \* \* \*

15 The major item of business for the meeting of April 19 was the *accounts of the Liquor Control Board of Ontario* as noted in Volume 2, *Financial Statements of Crown Corporations, Boards and Commissions*. Officials from the Liquor Control Board and the Ministry of Consumer and Commercial Relations were present. Questions regarding the pricing policies and mechanisms of the Board were raised, and Members expressed interest in a variety of matters including:

- (1) the locus of decision-making on pricing (Treasury);
- (2) the rationale for prices (costs to the Board, taxes, and policy decisions, including the amount of revenue desired, the protection of local industries, and encouraging the use of lower alcohol content products);
- (3) the possibility of bottling wine as the Quebec Board does (equipment too expensive);
- (4) the timing of increases relative to rising costs to the Board (will be immediate in the future); and,
- (5) the possibility of selling some products in grocery stores (a decision for Cabinet).



Some concern was expressed that the Ontario brandy project was a subsidy to the liquor industry; the Minister responded that the prime concern was support to the grape growers. He agreed to inform the Committee of the extent to which the Board was selling Ontario brandy at a loss.

Concern was also expressed over the Board's methods of dealing with potential health hazards of impurities and, in particular, the use of asbestos filters. The Board's laboratory is not equipped to test fully for these hazards, and the Board stated that the cost would be prohibitive.

Another major category of questions concerned the hiring practices of the Board and the widespread belief that favouritism was commonplace in these hirings. The Minister agreed that there is a perception that jobs in liquor stores are gotten by influence, but he argued that this is not in fact the case. Committee members suggested that discretion in hirings -- particularly part-time hirings -- should not be left entirely to the local manager and that guidelines should be established by the Ministry.

The question of tightness of inventory control and losses was raised, with the Board acknowledging that losses were a problem, particularly in self-serve stores, but that the loss record was better than that of comparable commercial enterprises. The Board indicated that it was prepared to prosecute shoplifters.

The question of losses on foreign exchange was raised, and the Board indicated that full information on that question would be contained in its annual report.

\* \* \* \* \*

At the April 26 meeting of the Committee, officials of the Royal Commission on the Northern Environment and the Ministry





16 of the Environment came before the Committee to discuss *questions concerning expenditures of the Royal Commission on the Northern Environment* arising from vol. 3 of the 1977 - 78 *Public Accounts*.

The major concern raised was the nature and adequacy of the guidelines for expenditure and administrative control for the Commission. It was noted that at the time the Commission began its work, there were no specific guidelines set down applicable to it, but that subsequently the Management Board of Cabinet has provided explicit instruction on what guidelines will now apply to Royal Commissions, including the Manual of Administration. It was suggested by some Members and by the Commissioner that following government administrative procedures may present problems of effectiveness for Commissions. The Commission's responsibility is to do the task assigned in the most effective way open to it, and, in this case, as quickly as possible. The requirements of the Public Inquiries Act in this case required procedures which made the inquiry longer and more costly than it would otherwise have been, particularly with a Commission with very general terms of reference.

Another point of view presented by Members was that whenever public money is spent it must be accounted for explicitly. Independence carries with it an additional responsibility to see public funds controlled. And, some control practices are so well established in both the public and private sectors that the expectation is they will be followed. The Commissioner recommended the following steps to make Commissions more effective:

- (1) terms of reference should be as specific as possible;
- (2) a time limit for the end of the Commission should be established;
- (3) money should be authorized in advance specifically to do a specific task;
- (4) the new arrangement, that a secretariat will be available from the beginning, should be adhered to.

Members noted that the recommendations coincided with a number of past recommendations by the Committee.



Another matter raised was the extent to which Commissions could save money by using seconded government personnel whenever possible. The problem of the extent to which this would compromise a Commission's independence or the public perception of its independence was discussed. It was suggested that there was no need for a Commission in cases where the study could be done by ministry personnel and within normal civil service administrative rules. The purpose of a Commission is to cut across bureaucratic structures, in the view of the Commissioner.

The question of the cost of outside legal counsel at an hourly rate was raised again, with the considerations of a monthly salary, leave arrangements for lawyers from their firms to cut overhead costs, and the use of seconded counsel discussed.

\* \* \* \* \*

At the May 3 meeting of the Committee, the Committee heard a report from Mr. A. Gordon, Associate Secretary of Cabinet, on *de-regulation in the Ontario government*. The work on de-regulation is still at a preliminary stage.

\* \* \* \* \*

In addition, officials of the *Ontario Research Foundation* came to discuss the work of the Foundation and its *Annual Report for 1977*. The principal question raised concerned the relationship of the Foundation to the Ministry of Industry and Tourism through which it gets an annual grant, and the justification for the giving of the grant. The Foundation replied that its contribution to research and development for the province and its work in directions which complement those of other government entities were the basis of its entitlement. The grant is based on the Foundation's industrial income, with a two year time lag, on a dollar for dollar basis. The question was raised as to whether the Foundation might not be advertising its services sufficiently widely for greatest use by those who could benefit most. Concern was also expressed that the Board of Directors did not contain sufficient representation from smaller manufacturers.





The existence of an investment fund was noted and questioned. It was explained as the retention of the initial fund given to the Foundation in 1928, and that the Foundation used the interest from this capital to further research activities of the Foundation. A final concern was whether decisions to proceed with certain projects could benefit from the use of outside referees.

\* \* \* \* \*

At the May 17 meeting of the Committee, officials of the Ministry of the Attorney General came before the Committee to discuss the manner in which *legal fees over one thousand dollars* are approved. The major concerns of the Committee were the extent of control over contract hirings exercised by the Ministry, and the size of the fees paid. With regard to royal commissions, Ministry officials acknowledged that their role is consultative rather than authoritative on the question of hirings. Management Board of Cabinet approves the fees, and has the power to refuse to accept them. Some Members expressed the view that in the past fees approved had been too high. Committee members also suggested that annual contracts, or limited-time contracts, be agreed on for a specific fee rather than the per-diem fee, and the Ministry pointed out that a number of commissions are now doing so and that this approach is being encouraged by the Ministry. The view was again expressed that counsel is retained where none is actually needed. And, to the suggestion that secondments from government be used, the issues of conflict of interest and need for specialist knowledge were raised.

\* \* \* \* \*

With respect to the question of whether there was a *secretariat set up within the Attorney General's Ministry to provide assistance to royal commissions*, the Ministry responded that there is a person who assists commissions with interpretation of guidelines and with arranging for logistical support when a commission begins work -- e.g., accommodation or negotiation -- but that there is not a secretariat in the sense of a permanent staff.

\* \* \* \* \*



21 Also at its May 17 meeting, officials of the *Ontario Food Terminal Board* were present to discuss their operations as presented in their report to the Minister. The major issue raised by the Committee was that of the projected move of the Terminal from Etobicoke to Vaughan Township. The Board discussed the details of the acquisition of the land and the delay in the move resulting from the lack of services there. Some Members questioned the length of time the land had been held without the move taking place. The Committee also raised the question of net losses in the past two years, and the Board explained that a non-profit organization can expect to have small losses from time to time and have them balanced out either by small profits or by a change in the charging structure. A number of questions of agricultural policy were raised, but the Board stated that they were beyond its control.

\* \* \* \* \*

22 At the May 31 meeting of the Committee, officials of the Royal Ontario Museum and the Ministry of Culture and Recreation came before the Committee to discuss the *financial affairs of the Museum*, as noted on p. 211 of the *Public Accounts for 1977 - 78*, and related matters. The Committee expressed concern with the financial plans for renovation and their consequences and with the budgeting and accounting procedures of the Museum in a number of areas, as well as its projected plans for dealing with a deficit situation.

There were a number of questions asked by the Committee which the Museum and Ministry were not prepared to answer at this meeting. The meeting closed with a resolution "that the ROM be requested to immediately furnish the latest financial statement, as well as a budget for the current fiscal year; that those be analyzed forthwith by the provincial auditor, and that they be brought back to this Committee, within a maximum of three weeks, preferably two, having in attendance at that particular meeting Dr. Cruise, Mr. Hermant, Dr. Wright and the Honourable Mr. Baetz and any spear-carriers they feel inclined to bring."





Discussion of the financial affairs of the Royal Ontario Museum continued in the morning and afternoon meetings of the Committee on June 27 and 28. Those present to discuss the situation included the Minister and Deputy Minister from the Ministry of Culture and Recreation, and officials and employees of the Royal Ontario Museum.

A number of major issues were raised over the course of the meetings. One major concern was the funding and planning of the expansion of facilities. The Minister's position was that the province was prepared to contribute the \$12.75 million committed in 1970, and to add a maximum of \$10.33 million through Wintario, but that the Museum understood that that was the limit of the Government's commitment to the expansion programme. There would be no adjustment for the effects of inflation since 1970. Members expressed concern that the government would find it impossible to refuse to complete the project once it was partially finished. Concern was also expressed that the government had not required sufficient study of the financial feasibility of the project before committing its funds, nor had it the means for requiring the funds be spent according to plan. The impossibility of seriously considering the project as three separate phases rather than one project was raised by Members.

A related issue raised was the extra cost involved in building the expansion with pauses between the three phases. It was conceded that there would be some additional costs from that approach, and that some of the money already spent would be lost, but that the plans would remain as an "asset" for future development, however slow.

Another related question was the value of the three phases of construction individually, and the priorities they entailed. It was noted that the construction of the curatorial facility would not in itself provide more display space without renovations. And, it was noted that the renovations of the main building had safety and building integrity aspects as well as expansion of facilities aspects. The question of why the curatorial facility would be built first if there was a possibility that no money would then be available for the renovation phase, rather than the reverse,



was raised. The response was that the Museum did not expect to have to end the project with phase one only. The question of the extent to which other alternatives to housing Museum activities had been considered, including using space at the University of Toronto was raised. The Museum responded that it was its policy to develop its own property, though it was noted that the Lillian Massey Building was unoccupied and nearby.

A second major topic of discussion was the operational budget of the Museum and the problem of deficits. Both Ministry and Museum conceded that three years of deficits was a serious problem. One Member noted that the deficit was larger than it appeared at first glance because of the transfers from trust accounts to the operating budget. The Museum noted that it was the policy of its Board to avoid deficit financing, and that this year's deficit was a "calculated risk" that the financial problems could be solved without losing staff essential to future programmes. Solutions planned to meet the immediate problem would be;

- (1) to hope for underspending in some aspects of the budget,
- (2) look for economies in controllable expenditures, and
- (3) hope for assistance from the Ministry or Wintario.

The deficit was incurred with the knowledge and consent of the Ministry. As the Minister stated to the Committee "If you (the Museum) run into serious difficulty, we're there." It was generally agreed that the Museum could not continue much longer to use funds from the general reserve to cover operating deficits.

For the future operating costs, the Museum looks to increasing revenues, both admissions and memberships and profits from the book and gift shops, and food services. One Member characterized the problem as one of the province simply not giving the Museum what it needs.

A number of specific questions related to the current financial position were raised by Members. It was noted that the





book and gift shop was now in a deficit position. The response was that for the past six months it was in the black and that should improve if it were to have more display space. In any case, the shop and food services are necessary auxillary services for a major Museum. A cost-benefit analysis of the membership drive financed by the Museum and Wintario led one Member to note that the Museum had spent more on the campaign than it had recovered. The response was that there would be long-term gain.

A third major area of concern was that of budgeting and accounting procedures. The Committee was concerned that the accounting principles used did not provide a clear picture of events or enhance accountability or control. The Museum replied that they were implementing new systems and the picture should then be clearer. It was agreed in particular that controls would have to be established on the use of trust accounts in the light of legal opinion of their status. The recommendations of the Auditor were noted. Budget processes were also discussed, and the Museum agreed that tighter accountability is needed but denied that there had been any wrongdoing in use of funds in the past.

The fund raising practices of the Museum were also commented upon. In particular the salaries and per-diem payments to professional fund raisers were questioned, but the Museum responded that the results had more than justified the cost. Funds raised in the private sector are collected and used both for the expansion project and operating expenses. Additional sources of funds were discussed, included borrowing to finance capital expenditures, selling items from the collection, and increasing fees for admission. The impact of closing and partial closings on revenues during renovations was discussed.

A number of other issues and questions were raised in the course of the meetings. How would the stocking of new galleries be paid for? It would be done with existing materials and personnel. Will the new restaurant in the expanded facility add to the deficit? It is a necessary service and, in any case, will be leased to its operators. What is the logic of putting admissions into trust accounts?



This is done to permit their use for new acquisitions, since only the trust accounts are used for new acquisitions. Has attendance been going down? No. Can the Museum compete for staff at current salaries? It is true that salaries are a problem. Is there a policy of staff attrition? No, each position is filled on its merits.

Finally, in their voluntary submission to the Committee, members of the staff of the Museum noted that "the Committee had expressed interest in value for dollars, and we rather thought that morale issues had a great deal to do with whether the people of Ontario are getting their value for their dollar."

\* \* \* \* \*

At the November 8 meeting of the Committee, officials of the Ministry of Treasury and Economics came before the Committee to discuss *the matter of Mr. Peter Branch*, who had stated that he was not usefully employed in his post in the Ministry. The major questions raised by the Committee concerned the extent to which the public service is getting value for money from its personnel, both in terms of their work as individuals and in terms of the rationale for government doing at all some of the tasks they are hired to do.

On the specific individual level, the Ministry responded that its employees -- including Mr. Branch, who was in the process of being retrained -- are fully utilized. Mr. Branch's grievances arose out of his dissatisfaction with the work of his new job, his inability to be hired for a job he did like, and the consequences for his salary and pension of being red-circled.

On the general level, the Ministry responded that it had made substantial cuts in its work force, and while the tasks those former employees had done were very useful and good value for money, they were of lower priority than the absolutely essential tasks now being performed by the current staff complement.





The issue of red-circling was explored, with Members expressing concern that the government was going too far out of its way to protect staff from the consequences of retrenchment in view of the interests of the taxpayers in the most economically efficient service possible. Concern was also expressed that red-circling not be used as an alternative to firing employees deemed incompetent.

\* \* \* \* \*

At the November 22 meeting of the Committee the Minister of Trade and Industry and his staff came before the Committee to discuss the *status of Minaki Lodge Resort Limited* in the light of Page 1, Volume 3 of the *Public Accounts for 1977 - 78*.

The major issue raised was the length of time the Government had taken to come to a conclusion on the future of the project, and the value received for the public money spent in the process. The Minister agreed that a speedy conclusion to the issue was desirable and assured the Committee that one would be reached by March 31, 1980. The preferred solution was to find a hotel chain to manage the resort while the government maintained ownership, and a strong effort to find such a manager would be conducted in early 1980. Alternative options would be to run the resort directly (as in the case of Ontario Place), or to close it down and end the experiment. The option of selling to private enterprise was discussed, but the Minister noted that no serious offers to buy had been made. The Minister noted that he did not wish to consider alternative uses for the property by other ministries until the management option had been exhausted.

The Committee noted that it had recommended a prompt solution to the issue in its 1977 *Report* and expressed again its view that expenditure without return on this project should end. In connection with this concern some members noted that a commitment by the Minister to spend eight million dollars on accommodations for the resort was still outstanding, and that this figure did not include additional road and electricity service expenditures essential for the resort. Some members also questioned whether the resort would ever be a profit-making enterprise and noted that the



capital cost was not expected to be recovered. In general, members were concerned that losses be minimized and that some recovery of money spent should be attempted, in particular if the option to close down was selected.

Another issue raised was that of the value for money spent on the project in terms of economic and social benefits. Some Members expressed the view that the government should "require rather than hope" that the town of Minaki would benefit from the Lodge. In particular, the question of employment for native people was raised. The Minister responded that in general the Resort should result in drawing more tourists for repeated visits to the area with the consequent benefits to business, particularly in Kenora and in Minaki.

\* \* \* \* \*

Also on November 22, the Committee received and noted a letter from the Minister of Culture and Recreation on the subject of the *Royal Ontario Museum*. The Minister noted that the Museum would receive an additional eleven million dollars from the province as a result of the federal-provincial lottery agreement and the transfer of Loto Canada funds to the province.

It was further noted, by way of a Ministerial Statement in the Legislature that ROM would be approaching Toronto Metro Council for assistance, and that inflation had increased the cost by some five million dollars.





## CONCLUSIONS AND RECOMMENDATIONS

### 1. Ontario Place Corporation

The Committee notes that it is now satisfied that the appropriate general accounting practices are now being followed.

The Committee recommends that the Board of Directors must assume formal responsibility for approving the actions of Ontario Place Corporation's management, particularly in the matters of financial accountability.

### 2. The Lotteries Branch

The Committee recommends the situation whereby civil servants in the branch exercise discretion regarding the extent of the terms and conditions of lotteries will be brought to an end.

The Committee recommends that if the current terms and conditions are, in fact, unworkable, new and workable terms and conditions in regard to lotteries should be drafted. Any discretions in the application of these terms and conditions should lie only with the Minister. It is understood, of course, that he may delegate this responsibility.

### 3. Liquor Licensing Board of Ontario and Leased Vehicles

The Committee noted that the Liquor Licensing Board has filed a memorandum of understanding and has been designated a Schedule 1 agency to which the terms of Volume 1 of the Manual of Administration comply.

The Committee members noted inconsistency in handling vehicles and charges from ministry to ministry, and observe that a better policy might be needed to handle the general issue.

The Committee recommends that a policy which encourages employees to use their own vehicles and be compensated on a kilometre basis be adopted by the Liquor Licensing Board of Ontario and by governments generally where feasible and economical.



#### 4. The Ontario Racing Commission

The Committee heard that there is a great deal of interest in the application of Management by Results in regard to provincial assistance to breeders in Ontario.

The Committee notes that in many instances it is difficult to quantify some of the programs provided by the government.

#### 5. Ontario Students Assistance Program

The Committee is pleased to note that the 1979/80 OSAP application forms contain an explicit warning regarding the consequences of making a false statement. The Committee recommends that the government pursue all actions necessary to recover any improperly obtained funds.

#### 6. A Youth Employment Program

The Committee is disappointed that it has not yet been provided with the internal evaluation study of this program and that another year's program has gone ahead without evidence of proper controls. The Committee recommends that whenever possible, accounting and auditing procedures should be in place before disbursement of funds for a program begins.

#### 7. Grant Payments

The Committee finds the payments of grants before the filing of regulations inappropriate procedure.

The Committee recommends that such payments not be made in the future prior to the filing of the enabling legislation.

#### 8. Sale of Properties

The Committee debated at length the problem of civil servant's individual responsibility and accountability.





The Committee noted that it was often difficult to pinpoint who had made the error and what, if any, action had taken place.

The Committee recommends that personal accountability for errors be more carefully defined.

### 9. Accounts Receivable

The Committee would like to express its pleasure at the improvements in this area.

### 10. Consulting Contracts

The Committee would like to express its disagreement with the present general practice of hiring consultants on a cost-plus basis.

The Committee recommends that the government consider creating a roster of interested qualified consultants, that wherever possible they be paid on a contract or annual basis rather than a per-diem and that the question of whether or not a consultant is required should always be raised.

The Committee further suggests that consultants who work for the government should consider that their work is, in part, a service to the community and set fees accordingly.

The Committee also recommends that greater use be made where possible of the Treasury Department, the Ontario Economic Council Studies and of the Legislative Library, and that the authors of the Ontario Economic Council studies make their expertise available for select committees of the legislature and royal commissions as part of fulfilling their obligations to the Ontario Economic Council.

### 11. Royal Commissions

The Committee notes that the Attorney General's ministry is responsible for providing advice and assistance to Royal Commissions if they are not designated under another ministry.

The Committee reiterates its recommendations in its past reports and draws attention to the recommendations of Mr. Hartt.



The Committee is of the opinion that salaries, wages and indemnities paid to lawyers working for royal commissions and select committees is much too high. The Committee therefore recommends: --

- i. The government review its policy of paying legal fees of \$85.00 and particularly a maximum of \$850.00 per day.
- ii. That the whole matter of legal fees be reviewed particularly in view of the fact that many lawyers are provided with secretarial staff and offices at government expense.
- iii. That select committees and royal commissions be required to justify absolutely the need for legal assistance.
- iv. That no person be allowed to work for or be a member of more than one royal commission.
- v. The Committee also suggests that lawyers who accept such positions for royal commissions should consider that their work is, in part, a service to the community and set fees accordingly.

## 12. Utilization of Motor Vehicles

The Committee has already dealt with this matter under Item 3 and reiterates that a general government policy to deal with this matter should be in place.

## 13. Administrative Improvement in regard to Ontario Grants

The Committee would like to draw attention to the Auditor's comments on the handling of non-capital grants and note its concern with payment of grants substantially in advance of need. It recommends that the Ministry should at least recover the interest on these unused funds.

The Committee notes the Ministry's assurance that greater rigor will be exercised in the future and intends to re-examine the situation at a later date.

The Committee recommends that Ministry auditors do spot checks on large grants to see that the money is spent for the intended purpose and that the regulations are followed.





14. The Audit Act, Section 17

The Committee recommends that when a special audit is requested by a Minister that a copy of the Auditor's Report be tabled in the legislature at the same time as it is given to the Minister in order to allow the Committee to deal with the matter as well, if necessary.

15. Liquor Control Board of Ontario

The Committee recommends that discretion in hirings, particularly part-time hirings, should not be left entirely to the local manager and that guidelines should be established by the Ministry.

The Committee is concerned that at present there is no mechanism for reviewing the expenditures of the Liquor Control Board. It recommends that some procedure for review by the Legislative Assembly, through its Committees, be created.

16. Commission on the Northern Environment

The Committee notes the large sums of money handed to various groups to make presentations without much accountability as to how and where the funds were spent.

The Committee notes that the independence of a royal commission should not impede good administrative practices or the efficiency of the Commission.

The Committee recommends that at the very least individuals or organizations receiving funds for these purposes should be held financially accountable for them.

17. De-regulation

The Committee suggests that for efficiency's sake greater emphasis be placed on this programme, which does not seem to have made much impact as yet. The Committee notes that fewer than one dozen regulations per year have been removed, while several hundred new regulations per year have been passed.



The Committee recommends that some kind of cost-benefit analysis of regulations be made before they are passed.

18. The Ontario Research Foundation

The Committee recommends that the Foundation be expanded, particularly with service to small and medium-sized business in mind. In addition, the Committee recommends that the Foundation ensure that such businesses are aware of the Foundation and its potential for contribution to their greater success.

The Committee notes that the Foundation has been the subject of review by the Standing Procedural Affairs Committee and urges that the Foundation note that Committee's recommendations, in particular that the Ontario Research Foundation Act, 1944, be revised.

The Committee recommends that small businesses be given greater representation on the Foundation's Governing Board.

19. Legal Fees over \$1,000

This matter has already been dealt with under Section 12.

20. Secretariat to Royal Commissions

With respect to the question of whether there was a secretariat set up within the Attorney General's Ministry to provide assistance to royal commissions the Ministry responded that there is a person who assists commissions with interpretation of guidelines and with arranging for logistical support when a commission begins work -- e.g., accommodation or negotiation -- but that there is not a secretariat in the sense of a permanent staff.





21. The Ontario Food Terminal

The Committee recommends that the leases at the Ontario Food Terminal be reviewed, particularly to ensure that there is not trading or profit-taking of individuals in the sub-letting of stalls.

The Committee also recommends that the Ontario Food Terminal operate on a break-even basis as much as possible.

22. Royal Ontario Museum

The Committee concludes that the Ministry of Culture and Recreation has given insufficient attention to the financial affairs of the Royal Ontario Museum. The Committee is concerned about the financial operations of the Museum in both its daily operations and capital requirements.

In general, the Committee recommends the Ministry become more involved in the financial operations of the Museum. Specifically, the Committee recommends that the museum not be permitted to proceed with capital projects without the approval of Management Board which should be responsible for seeing that funds for the project are actually in existence before approval is given.

The Committee directs the Auditor to update his June, 1979, report on the Royal Ontario Museum since the Committee expects to review progress in improving the financial affairs of the Museum as well as the current status of the expansion programme of the Museum in the immediate future.

23. Ministry of Treasury and Economics - Peter Branch

The Committee views with concern the difficulty which surrounds the dismissal of redundant staff. The Committee observes that management may not be using the services of existing staff to maximum benefit.

The Committee recommends that alternate forms of permanent severance should be considered where staff are deemed redundant or incompetent.



24. Minaki Lodge

As in its 1977 report, the Committee is concerned that cost-benefit studies should be undertaken before projects of this nature are embarked upon.

The Committee believes that the matter of Minaki Lodge should be resolved so that the local people will know where they stand and in order that public funds not be continually spent on operating an empty facility.

The Committee accepts the assurance of the Minister that the project's future will be finally decided by April 1, 1980, and strongly endorses the view that the matter be finally resolved one way or the other at that time.

25. Royal Ontario Museum

Please make note of Recommendation no. 22 concerning this issue raised on November 22, 1979.









CA24N  
XC21  
- P71

Government



DEPOSITORY LIBRARY MATERIAL

# **STANDING COMMITTEE** **on** **PUBLIC ACCOUNTS**

## **FINAL REPORT**

The Legislative Assembly of Ontario  
4th Session, 31st Parliament  
29 Elizabeth II, 1980

**DECEMBER, 1980**





# **STANDING COMMITTEE** **on** **PUBLIC ACCOUNTS**

## **FINAL REPORT**

**The Legislative Assembly of Ontario**  
**4th Session. 31st Parliament**  
**29 Elizabeth II, 1980**

**DECEMBER, 1980**





STANDING COMMITTEE ON  
PUBLIC ACCOUNTS

REPORT

THE LEGISLATIVE ASSEMBLY OF ONTARIO  
FOURTH SESSION: THIRTY-FIRST PARLIAMENT  
29 Elizabeth II, 1980

**MEMBERS**

T. Patrick Reid, M.P.P., Chairman	Rainy River
Ross Hall, M.P.P., Vice-Chairman	Lincoln
Bud Germa, M.P.P.	Sudbury
Colin Isaacs, M.P.P.	Wentworth
Nicholas G. Leluk, M.P.P.	York West
John P. MacBeth, M.P.P.*	Humber
Mac Makarchuk, M.P.P.	Brandford
David Peterson, M.P.P.	London Centre
Russ Ramsay, M.P.P.	Sault Ste. Marie
Edward Sargent, M.P.P.	Grey-Bruce
George Taylor, M.P.P.	Simcoe Centre
John Turner, M.P.P.	Peterborough

**STAFF**

Research Officer	Martha Fletcher
Clerk of the Committee	Andrew Richardson

---

Mr. MacBeth was appointed to the Committee April 24, 1980.



## LAND ASSEMBLY PROJECT OF THE GOVERNMENT

By Order of the House of June 19, 1980 relating to the  
above matter the following substitutions were approved.

Mr. M. Hennessy, M.P.P.	Fort William	for Mr. N. Leluk, M.P.P.
Mr. G.A. Kerr, M.P.P.	Burlington South	for Mr. J. MacBeth, M.P.P.
Mr. J. Lane, M.P.P.	Algoma-Manitoulin	for Mr. R. Ramsay, M.P.P.
Mr. W. Newman, M.P.P.	Durham-York	for Mr. G. Taylor, M.P.P. (Simcoe Centre)
Mrs. M. Scrivener, M.P.P.	St. David	for Mr. J. Turner, M.P.P.



## PREFACE

The Standing Public Accounts Committee has held twenty-four meetings and examined thirty-one topics since February 26, 1980. The Committee has carried out in-depth reviews of several topics, including land assemblies of the Ontario Government, the activities of the Ministry of Health in relation to the St. Marys Clinic, problems related to performance appraisal in the Ontario civil service, and the state of accountability and responsibility in Government in this Province.

The Committee is extremely concerned that the terms accountability and responsibility be more than mere buzz words and that there be in place in the financial administration of the Provincial Government a clear-cut and easily understood method of assuring accountability and responsibility. The Committee has, therefore, recommended that performance appraisal with concomitant incentives for good performance be stressed. It is only by such methods that accountability and responsibility will in fact be achieved.

The Committee has also stressed the importance of clarifying the responsibility of the Deputy Minister for the daily administration of the Ministry. As a means of emphasizing the accountability of the Deputy Minister to answer for the administration of the Ministry to the Legislature through the Public Accounts Committee, the Committee will henceforth call for the Deputy Minister's presence before the Committee through the form included in this Report as Appendix B.

On August 11 to 13, 1980 the Chairman attended the second meeting of the Chairmen of Canadian Public Accounts Committees, held in conjunction with the annual meeting of Legislative Auditors. The Chairman also participated in a panel discussion on comprehensive auditing for crown corporations at the annual meeting of the Canadian Institute of Chartered Accountants in Montreal on September 26, 1980.

The Committee would like to thank the Auditor and his staff for their assistance and cooperation. And, the Committee especially wishes to thank and commend Mrs. Martha Fletcher of the Research Service of the Legislative Library for her hard work and competence and the assistance she has provided to the Committee for the past year.





# STANDING PUBLIC ACCOUNTS COMMITTEE

Report for 1980

## CONTENTS

Preface . . . . .	i
Introduction . . . . .	1
Public Accounts Committee: Ontario Legislature . . . . .	1
Accountability and Responsibility . . . . .	10
Performance Appraisal and Discipline . . . . .	14
Land Assembly . . . . .	18
South Cayuga and Townsend . . . . .	18
Edwardsburgh . . . . .	22
Findings . . . . .	24
Dissenting Statement . . . . .	26
Ministry of Health, St. Marys Clinic . . . . .	27
The Program . . . . .	27
St. Marys Clinic . . . . .	28
Program Evaluation . . . . .	29
Findings . . . . .	30
Ministry of the Solicitor General . . . . .	33
Public Opinion Polls . . . . .	34
Ministry of Attorney General . . . . .	36
Ministry of Health, Ontario Drug Plan . . . . .	37
Royal Ontario Museum. . . . .	38
Consultants . . . . .	40
Ministry of Community and Social Services . . . . .	40
Ministry of Intergovernmental Affairs . . . . .	41
Findings . . . . .	41
Ministry of the Environment . . . . .	43
Ministry of Agriculture and Food . . . . .	44
Ministry of Colleges and Universities . . . . .	45
Ministry of Treasury and Economics . . . . .	46
Auditing Procedures. . . . .	47
Summary of Recommendations . . . . .	48
Appendix A - List of Witnesses and Topics, 1980 Hearings . . . . .	53
Appendix B - Form of Summons to Appear Before the Committee . . . . .	61



## INTRODUCTION

The major concern of the Committee in 1980 has been the question of accountability of Government to the Legislature for expenditure, and, particularly, the role of the Standing Public Accounts Committee in ensuring accountability. As a result, the Committee will begin this Report with a discussion of the role and operation of this Committee and the scope and nature of the accountability and responsibility of Ministers and civil servants to the Legislature through this Committee.

### Public Accounts Committee: Ontario Legislature\*

#### **Purposes and procedures**

The great explosion in government activity and the accompanying increase in government expenditures have many concerned that Parliament is losing control of the executive and government finances, which is at the root of the parliamentary system.

The Federal Auditor-General of Canada in his report to Parliament in 1976 stated that Parliament had lost or was close to losing control over government expenditures. More recently, the report of a study group of the Commonwealth Parliamentary Association, entitled **Parliament and the Scrutiny of Public Finance**, expressed its concern that the power of the purse was rapidly becoming a fiction.

If this trend continues, accountability and responsibility to Parliament of the executive for the administrative apparatus of government will decrease. The faith of citizens in their parliamentary system of government will correspondingly decrease as the power of the purse increasingly becomes centralized in the hands of a most powerful executive.

\* This section, authored by Patrick Reid, MPP, Chairman, Public Accounts Committee, was published under this title in The Parliamentarian LX1 (October 1980): 247-253.

In ensuring that the Parliament still has the ultimate authority over the executive, the Public Accounts Committee should, but does not always, play a major role. The purposes and functions of the committee are amongst the most esoteric of parliamentary operations, and should be amongst the most important. The operations of P.A.C.s, however, are not generally well understood by the public, the press, or often, indeed, by the Members of Parliament themselves.

### **The role of the Public Accounts Committee**

The role of the P.A.C. has become established more by tradition and evolution than by actual legislation. Its purposes should be, however, the following. In the most general sense, the P.A.C. should exercise some control over the executive and the financial administration. The executive should have no income which is not granted to it or otherwise sanctioned by Parliament and the executive should have no expenditures except those approved by Parliament and in ways approved by Parliament.

The P.A.C. should scrutinize the legality, probity, and prudence of government expenditures. The P.A.C. should ensure that the executive has operated with due regard to economy, efficiency (productivity), and effectiveness (that the programme and expenditures meet the objectives that were laid out in the first place).

The P.A.C. should ensure that there is accountability and responsibility for financial and personnel administration of the government bureaucracy to the P.A.C., to Parliament, and ultimately, of course, to the public at large.

The P.A.C. acting as the audit committee of Parliament should make recommendations and suggestions to improve the financial administration. The P.A.C. exists as well to assure the public at large that their tax dollars are prudently and wisely spent so that the public may maintain their faith in the parliamentary system.



## The players

To a large extent, the performance of the P.A.C. depends on its relationship with the auditor. In Ontario, the auditor's responsibilities are outlined in Section 12 of the Audit Act, 1977.

- 1) The auditor shall report annually to the Speaker of the Assembly after each fiscal year is closed and the public accounts are laid before the Assembly, but not later than the 31st day of December in each year unless the public accounts are not laid before the Assembly by that day, and may make a special report to the Speaker at any time on any matter that in the opinion of the auditor should not be deferred until the annual report, and the Speaker shall lay each such report before the Assembly forthwith if it is in session, or, if not, not later than the tenth day of the next session.
- 2) In his annual report in respect of each fiscal year, the auditor shall report on,
  - (a) the work of the office of the auditor, and on whether in carrying on the work of the office the auditor received all the information and explanations required;
  - (b) the examination of accounts of receipts and disbursements of public money;
  - (c) the examination of the statements of assets and liabilities, the Consolidated Revenue Fund and revenue and expenditure as reported in the public accounts, and shall express an opinion as to whether the statements present fairly the financial position of the province, the results of its operations and the changes in its financial position in accordance with the accounting principles stated in the public accounts applied on a basis consistent with that of the preceding fiscal year together with any reservations the auditor may have;
  - (d) all special warrants issued to authorize payments, stating the date of each special warrant, the amount authorized and the amount expended;
  - (e) all orders of the management board of cabinet made to authorize payments in excess of appropriations, stating the date of each order, the amount authorized and the amount expended;
  - (f) such matters as, in the opinion of the auditor, should be brought to the attention of the Assembly including, without limiting the generality of the foregoing, any matter related to the audit of agencies of the Crown or Crown controlled corporations or any cases where the auditor has observed that,

- (i) accounts were not properly kept or public money was not fully accounted for,
- (ii) essential records were not maintained or the rules and procedures applied were not sufficient to safeguard and control public property or to effectively check the assessment, collection and proper allocation of revenue or to ensure that expenditures were made only as authorized,
- (iii) money was expended other than for the purposes for which it was appropriated,
- (iv) money was expended without due regard to economy and efficiency, or
- (v) where procedures could be used to measure and report on the effectiveness of programs, the procedures were not established or, in the opinion of the auditor, the established procedures were not satisfactory.

The auditor's independence is guaranteed by his appointment being made on address to the Assembly and he can be removed only on a similar address to the Assembly. His staff are considered members of the provincial auditor's staff and not of the Civil Service Commission. The auditor's budget and staff requirements are approved by the Board of Internal Economy, which is a committee of the legislature, composed of Members of all three parties. As well, the Audit Act allows the chairman and vice-chairman to be present when the auditor's budget is being approved, which effectively restrains the executive branch of government from trying to hobble or pressure the auditor in his function.

If the P.A.C. is to perform its function well, the relationship between the auditor and the committee must necessarily be a close one. The auditor and his staff obviously have the expertise and intimate knowledge of the financial administration of government. The auditor obviously is better qualified from a professional standpoint to be knowledgeable about current trends in accounting and to pass that information on to the P.A.C. The auditor attends all meetings of the P.A.C. and sits at the left hand of the chairman in order to offer advice and information during the hearings. The presence of the auditor and his ability to contribute often result in the more direct answers and clarification of matters which sometimes might be vague or of apparent little consequence to the committee. The auditor and the committee must have a synergistic relationship in order for either or both to be effective.



## **The Public Accounts Committee**

Since 1968 the chairman of the P.A.C. has been a Member of the Opposition. As well, the vice-chairman is a Member of the Opposition. The committee consists of twelve Members, based on the percentage each party holds in the legislature. The committee is appointed for the duration of Parliament which provides continuity of the committee. Members are nominated by their respective caucuses and are appointed on motion of the government house leader. The chairman and vice-chairman are designated by their party caucuses to be nominated and elected at the first meeting of the P.A.C.

The subcommittee is also appointed consisting of the chairman, the vice-chairman, and a Member from each of the other two parties. The auditor and a member of his staff and a researcher generally attend the subcommittee meetings which deal with the setting of the agenda, outstanding motions of the committee, discussion of witnesses, and the preparation of any interim and final reports.

The committee also has the services of a Clerk who arranges for the committee rooms, Hansard recording, witnesses, etc. Only in the last year has the committee enjoyed the services of a researcher seconded from the legislative library. This has made a tremendous difference to the information provided to the committee and the follow-up procedures arising from the committee's reports. It is absolutely essential, given the workload of a Member, that a researcher be made available if the committee is to do a proper job.

The witnesses before the committee are generally civil servants and primarily deputy Ministers of the various ministries, often accompanied by the director of the particular branch that the committee is dealing with. Very seldom are Ministers themselves called, although if there is a matter that has not been resolved to the satisfaction of the committee, the Minister may be asked to attend. The committee deals primarily with the civil servants because they are responsible for the day-to-day financial administration of the Government. The myth of ministerial responsibility, that a Minister is responsible for each and every action taken by civil servants in his ministry, is generally being eroded. Obviously, the Minister who has a multimillion, if not billion, dollar budget and thousands of civil servants under his ministry, cannot reasonably be expected to be fully knowledgeable, or in fact directly responsible,

for these actions. It is, therefore, the managers of the system that should be called to account.

The committee also calls before it executive directors and often chairmen of the board of directors of some of the agencies, boards, and commissions that have been established by the Government and are generally funded by the Government. On occasion the committee will also hear testimony from members of the public. This is not a usual circumstance.

The press also attend P.A.C. meetings. Unfortunately members of the press are not always fully knowledgeable about the matters under discussion, nor do they fully comprehend the purposes of the Public Accounts Committee. As a result, the publicity generated by the committee tends to be focused on matters of high drama rather than focusing on good financial administration. This is unfortunate because it is often only the glare of publicity which will force the executive and bureaucracy to improve the system.

### **Procedures**

The auditor's report, available in the fall of the year, is tabled in the legislature by the Speaker of the House and is automatically referred to the Public Accounts Committee. The three volumes of the public accounts of Ontario, which are prepared under the jurisdiction of the Treasurer, are also tabled in the legislature and automatically referred to the committee.

The subcommittee (with the assistance of the auditor) then meets to arrive at its priorities. Also, under the Audit Act the committee has the authority to direct the auditor to investigate any matters that the committee so wishes. Recently the committee has directed the auditor to survey the land assembly scheme of the province of Ontario, an item which was not specifically raised in the auditor's report.

Once the subcommittee has set the agenda for the following year, the full committee meets to approve the agenda and to make any additions or deletions. The responsible civil servants are then contacted and requested to appear before the committee on a specific date.



All committee hearings are open to the public and the press with the exception of the meeting to set the agenda and the meetings to deal with any interim and final reports. The agendas for the meetings are circulated to the press gallery in order that they may be informed of what items the committee will be dealing with. Committee meetings are held every Thursday morning when the legislature is in session and the committee often meets when the legislature is not in session to deal with specific items. A rough Hansard of the committee hearings is available but is not formally printed as is the regular Hansard of the legislative proceedings.

The committee has recently embarked on calling a number of agencies, boards, and commissions in order to ensure that they are following regular accounting practices and fulfilling their mandate as the legislation provides. Because approximately 80 per cent of the funds paid out from the Consolidated Revenue Fund are in the nature of transfer payments, this is an increasingly important function. A problem often arises, however, because some of these agencies, boards, and commissions consider themselves to be autonomous from the Government, and sometimes question the authority of the Public Accounts Committee to scrutinize their financial administration.

A continuing problem of all Public Accounts Committees is the grey area that often exists between policy and administration. This problem is particularly acute because of both the auditor's and the committee's authority under the Audit Act of 1977 to ensure that administration is paying due regard to economy, efficiency, and effectiveness. This relatively new concept of value-for-money auditing is not one that has completely seeped into the bureaucracy, nor been fully understood. Basically, value-for-money auditing is the independent and systematic examination of an organization for the purpose of providing objective information to indicate where improvements can be made and the economy, efficiency, effectiveness, and control of its operations and resources. Obviously, in applying these kinds of sometimes subjective measures, certain value judgements must be made. It is this continuing area of tension that probably keeps all players in the game honest.

Following the hearings, the subcommittee meets to draft the final report. This usually consists of a precis of the information received during the meetings, followed by recommendations of the committee. The committee then approves,



adding or deleting as it sees fit, and the final report is tabled in the legislature by the chairman of the committee.

### **Follow-up-procedures**

Once the report is tabled in the legislature, a debate is scheduled of the committee's report. This is only a recent innovation. It does provide, however, for Members of the committee to once again bring to the legislature's attention, and the press and the public, particular items of concern that had been raised during the meetings. It also provides an opportunity for various cabinet Ministers either to defend or to explain some problems that have been dealt with by the committee.

A copy of the report and a covering letter is sent to all Ministers and deputy Ministers by the chairman of the committee asking for their responses to the recommendations contained in the report. A request is made that these responses be returned within 60 days of receipt. The chairman of the management board, who is responsible for the approval of the various ministry budgets, is also sent a report. The management board deals with any recommendations that are general in nature or pertain to a number of ministries.

To provide continuity and historical record, two exhibits are included in the annual report of the auditor. One is entitled, 'Status of Suggested Corrective Action and Recommendations Contained in the Provincial Auditor's Previous Annual Reports'. The second is called 'Status of Recommendations Contained in the Reports of the Standing Public Accounts Committee to the Legislative Assembly'.

This procedure allows both the auditor and the committee to have an up-to-date record of the status of the recommendations that either the auditor or the committee have made. It provides a journal which indicates whether or not these recommendations have been followed and if not, why not. It provides further, of course, a public document which outlines which ministries are dealing with the recommendations that have been made, or are failing to do so. It also allows the committee to call back those civil servants responsible for implementing the recommendations, if they have consistently failed to do so.

These procedures complete the theoretical control of the public purse and executive by the legislature. The cycle, of the the budget being introduced, the estimates being debated and approved, the auditor's report, and the recommendations of the Public Accounts Committee, supposedly ensures that the executive and the bureaucracy are being held accountable and responsible for the expenditure of public funds. As in politics generally, reality is often very far from the theory or perception.

## **Effectiveness**

While the Public Accounts Committee supposedly has a pivotal role in the administrative accountability of the executive to Parliament, there are some obvious weaknesses. The P.A.C. obviously has no authority to ensure that the executive or the bureaucracy acts on the recommendations that the committee or auditor or both have made. The committee must rely on the glare of publicity brought to bear by the press or on the presumed interest of the executive and bureaucracy in good financial management.

Unfortunately, the committee does not have within its powers either a stick or a carrot to ensure that recommendations are followed. There are no incentives or sanctions that the committee can bring to bear on the executive and particularly on the bureaucracy to ensure good financial management. Civil servants are not named for mistakes that they made and, in fact, it is often impossible to pinpoint the person responsible for waste or mismanagement. There is no connection between administrative mistakes as outlined in the auditor's report and the committee hearings and the merit increases or promotions within the civil service. In fact, government seems to be the only place where heads roll uphill.

Without incentives or sanctions for good performance, therefore, the effectiveness of the committee is based on the potential embarrassment to the Minister of the department that is under attack, or the few uncomfortable hours that the civil servant may have to endure on the hotseat before the P.A.C.

## **Conclusion**

The Ontario P.A.C. has endeavoured in the past few years to establish a much closer working relationship with the provincial auditor and we have been most successful in this endeavour. Further, we have tried to educate and upgrade ourselves in the understanding of the financial administration of government and current trends in the accounting profession. On the initiative of the Ontario Public Accounts Chairman, chairpersons of P.A.C.s from across Canada are now meeting annually in conjunction with the provincial auditors of Canada to discuss matters of mutual concern and to exchange information. We have also tried to imbue the public servants who appear before us with the attitude that we as legislators, representing the public, are concerned with good financial administration and particularly economy, effectiveness, and efficiency.

There is still a long way to go for the Public Accounts Committee to fulfil its mandate of ensuring that taxpayers' dollars are prudently spent. As greater commitment, more sophistication, more competence, and a greater public profile occur, the executive and civil servants will ignore the recommendations of the Public Accounts Committee only at their peril.

## **Accountability and Responsibility**

The Committee wishes to take particular note of the comments and recommendations of the Royal Commission on Financial Management and Accountability in its Final Report, published in 1979, on the matter of Ministerial responsibility for departments and Deputy Head accountability.

As the Lambert Commission notes, "accountability is the working principle of our parliamentary system and a process whose effective functioning is essential to our democratic government". (Lambert, p. 369) The Committee shares the view of the Commission that, while the doctrine of the collective responsibility of Cabinet and the Ministerial responsibility of individual Ministers to the House for all actions of Government done in their name is the underpinning of our parliamentary system, ". . . this valuable tool for achieving accountable government must not become an obstacle to holding to account those who carry out tasks on the basis of delegated authority - the officials of departments and agencies". (Lambert, p. 371)



While we have no wish to dispute the principle of ministerial responsibility, there can be little doubt that today the degree to which a minister really has the effective management and direction of his department is open to question. In the context of developments in recent decades, we are dealing with a government vastly transformed from the time when the conventional view of ministerial responsibility was formulated. The twin assumptions that Parliament has the clout as well as the information to exact a relevant accounting, and that the departments can be managed and directed by ministers, do not hold as they once did. We believe that the application of the principle must be reconsidered in the light of changed conditions.

There is no doubt that the minister's function as the link between Parliament and the bureaucracy has become subject to serious overload as a result of the many and complex responsibilities placed on him. It has been repeatedly emphasized to us that a minister's multiple responsibilities make heavy demands on time and expertise. Ministers generally cannot afford to devote a large portion of their time to departmental business. Of necessity, this time is more likely to be dedicated to the policy issues facing the department than to matters of administration, for it is the policies and their implementation that ministers must be prepared to explain and defend daily. Nevertheless, the growth in the complexity of departmental business and in the number of demands made on ministers by their departmental, Cabinet, constituency, party, and parliamentary duties does not obviate the need for them to be aware of the administrative issues that cause ministers difficulties in the House. Thus, ministers should not be excused from responsibility for the actions of their departmental subordinates. These considerations suggest that additional means are required for ensuring that their officials are, in fact, fulfilling responsibilities that have been assigned to them, and are being held accountable for their performance. (Lambert, pp. 373-374)

The Committee believes that these observations are as pertinent to the Government of Ontario as they are to the Government of Canada. Accordingly, it endorses the recommendation of the Lambert Commission that "the deputy minister as chief administrative officer account for his performance of specific delegated or assigned duties before the parliamentary committee responsible for the scrutiny of government expenditures, the Public Accounts Committee." The Committee also concurs that the Deputy Minister's accountability does not extend to questions of the appropriateness of policy objectives and the program selected to achieve them, which are properly the responsibility of the Minister or Cabinet. The Deputy Minister should properly be held responsible for the daily administration of his department including:

- 1) the correctness of the appropriation accounts for the votes for which the deputy is responsible;
- 2) the legality of expenditures made under these votes; that they are in accordance with the Legislative Assembly's intentions in voting them, and that mechanisms are in place to ensure probity in the expenditure and receipt of monies;
- 3) economy, efficiency, and effectiveness in the expenditure of money voted to the department;
- 4) the evaluation of the effectiveness of programs in achieving their stated objectives;
- 5) the maintenance of adequate systems of financial management, the safeguarding of public property, the supervision of compliance with contracts, and the control of allotments; and,
- 6) personnel management responsibilities, including appointment, promotion, transfer, demotion, and release of staff, and the institution and maintenance of performance appraisal standards upon which the former are clearly based.

The Committee also believes the recommendation that Deputy Ministers be held accountable to the legislature through the Public Accounts Committee implies that the Deputy Minister should cooperate fully with the Committee. The Committee has observed with considerable displeasure in 1980 the defensive approach to the Committee of Deputy Ministers and other senior officials who have given the Committee the least assistance possible in the conduct of inquiries. The Committee wishes to stress that civil servants should remain politically neutral; their first loyalty should be to the taxpayers of Ontario.

As well, the Committee concurs with the Lambert Commission's recommendation that the accountability of a Deputy Minister be seen as personal. The Committee has routinely been frustrated by testimony that the officials called before the Committee to answer questions about a particular situation were not in the Ministry at the time and cannot explain or be held responsible for decisions they did not make. This situation is of particular importance to the Public Accounts Committee as its mandate is to consider past actions. Thus the Committee recommends that public officials remain permanently accountable for their decisions while in a particular office. This accountability remains whether they assume a different post within the public service or leave it altogether.

The Committee has recommended that the Deputy Minister be held directly accountable for the daily administration of the Ministry. While it



regards this approach as desirable, it is most concerned that specific responsibility lie somewhere. On a number of occasions Assistant Deputy Ministers and other officials of the Ministry have appeared before the Committee without the attendance of the Deputy Minister. This practice leads the Committee to the conclusion that, in the view of the Government of Ontario, responsibility has devolved on the official most closely in contact with any particular activity, and extends at least to the director level. Should this be the case, the Committee will be prepared to name the individual rather than attribute responsibility to the Ministry in a collective sense.

## PERFORMANCE APPRAISAL AND DISCIPLINE

On three occasions in 1980 and two in 1979 the Committee has heard testimony on the question of performance appraisal of civil servants and the nature of the consequences, positive or negative, which flow from that assessment.

In its 1979 Report, the Committee dealt with the problem of accountability raised when an error in survey assessment led the Ministry of Transportation and Communications to sell a property at an improperly low price. It was generally conceded that the loss was directly the result of a specific mistake by a specific individual. The Committee noted then that it is often difficult for the Committee to pinpoint who has made an error, and, more significantly, what, if any, action has taken place to hold that individual responsible for his error. The Committee recommended that personal accountability for errors be more carefully defined.

Also in its 1979 Report, the Committee dealt with the matter of an employee of the Ministry of Treasury and Economics who had been red circled and subsequently complained that he was given little work to do in the position to which he had been reassigned. The Committee expressed concern that red circling was being used as an alternative to releasing incompetent or redundant staff.

In 1980 the Committee heard testimony from the Ministry of Community and Social Services concerning an employee who had been removed from an administrative post and assigned to an advisory position which the employee himself considered nonproductive. Among the questions the hearing considered were:

- (1) whether there were grounds for termination for cause in this case;
- (2) the awarding of merit pay in this case and generally criteria for its award;
- (3) criteria and procedures for reclassification and salary revisions; and
- (4) whether the employee was fully and usefully employed in his post as a consultant after his removal from his administrative post.

In response, the Ministry replied that there were no grounds for termination for caused, despite his removal from his administrative post, that he was an exceptionally useful employee in his position as a consultant; and that his salary increases conformed to standard practices and amounts and were largely under the control of the Civil Service Commission.

In testimony before the Committee on February 28, 1980 the Deputy Attorney General touched on the question of the difficulty of holding employees responsible for actions or failure to act, citing specifically the difficulty of surmounting grievance procedures as the reason for this difficulty.

As regards to disciplining employees in the total government service, I want to assure you it is not an easy thing. On a daily basis, of course, individual managers tick off their staff for being late, for doing shoddy work, and get rid of people when someone is proved to be incompetent . . . That's where the grievances come from. We have any number of those where we put a notation on someone's record and are then faced with a grievance that it is improperly there, and the union moves to have the notation removed. I am saying it is something that has to be done, but it isn't always that easy to accomplish.

The Chairman of the Civil Service Commission also came before the Committee in 1980 to explain civil service policies and practices concerning performance appraisal, discipline for unsatisfactory work, termination of employment and related matters. The major types of disciplinary action - fines, suspension, refusal to award merit increase or deferral of merit increase, letter of reprimand in the file, and dismissal - were described.

The Chairman of the Commission testified that seventy-two employees were dismissed for unacceptable performance in 1978-79. He pointed out that the disciplinary procedures noted above are subject to appeal and that the Commission hopes to train managers in proper disciplinary action so that they can be confident that the steps they do take will be upheld on appeal. In later correspondence the Commission noted that there were 317 grievance appeals last year, with an average of 204 per year in 1976-79 inclusive. In response to a question concerning the situation in the Ministry of the Attorney General, the Commission responded that as of May 2, 1980 there were six grievance cases awaiting hearing.



Some Members expressed surprise that merit pay denial was subject to grievance appeal. The Commission noted that merit pay is a percentage payment given in the middle percentage range for satisfactory performance, and at the top of the range only for outstanding performance. Merit increases differ from economic increases, which are given to all employees. Fines, the Commission stated, are rarely used as a disciplinary procedure.

There was also considerable discussion of the attendance improvement program which has a co-ordinator in each Ministry responsible for attempting to cut absenteeism. In addition, a central attendance registry has been established. The Chairman of Commission reported that one-day and two-day absences account for 75 to 80 per cent of total days absent, and that "... the medical certificate, as a deterrent in short-term illness, is not a big deterrent. It's not something that one would find difficulty in obtaining." For this reason, the Commission believes that the solution to attendance problems lies in training managers to deal with questionable absences.

Responsibility for dismissal and grievance procedures were also discussed, with the Commission noting that the final responsibility for dismissal lies with the Deputy Minister.

The Committee considers it of great importance that the performance of the civil service of this province be of the highest standard attainable. Your Committee believes that such a standard is possible only with rigorous performance appraisal of civil servants at all levels, the maintenance of personnel files which accurately reflect the major accomplishments and failures of the employee's work, and the regular application of rewards for outstanding performance and disciplinary action for poor performance. Accordingly, your Committee recommends that regular, accurate performance appraisal be stressed throughout Government and at all levels. The Committee also recommends that rewards be tied to exceptional performance rather than to merely adequate performance of duties. Merit pay should be based on and graduated in accordance with the findings of performance appraisals. Your Committee directs the Provincial Auditor to include an audit of performance appraisal activities as part of his general audit.

The Committee notes with concern the position of the Deputy Attorney General that grievance procedures as they now stand seriously inhibit proper control of staff. It also notes with approval the increasing stress of the Civil Service Commission on the need to train supervisors in their function, including proper procedures of discipline and documentation of performance. Your Committee does not believe that grievance proceedings need be a bar to good personnel administration.

The Committee is also concerned that absenteeism is a problem of sufficient magnitude to warrant the appointment of attendance improvement coordinators. The Committee is of the view that failure to attend without proper reason should result in immediate and direct disciplinary action.



## LAND ASSEMBLY

As a means of resolving questions concerning the value which the province has received from the over 622 million dollars spent as of March 31, 1979 on land banked for the purposes of town sites, residential, commercial and industrial development, provincial parks and parkway development in excess of 300 acres per assembly, the Committee directed the Auditor to review ten of these land assembly projects. Three of these projects, two located in the Haldimand-Norfolk area at South Cayuga and Townsend, and the third in the township of Edwardsburgh in the Eastern Ontario Region, were investigated in detail by your Committee.

The Committee heard testimony and received submissions from officials of the Ontario Land Corporation and the Ministry of Housing and Mr. John White, former Treasurer of Ontario, the responsible Minister at the time these decisions to purchase were made. On August 19, 1980 the Committee conducted an on site investigation of the South Cayuga and Townsend projects. The major questions of concern to the Committee in each case were the reasons for purchase, the methods of purchase, costs of holding the land, and the uses to which the land is now put and is expected to be put in the foreseeable future.

### South Cayuga and Townsend

#### **Reasons for Purchase**

As a result of expected industrial growth in the Haldimand-Norfolk area, principally related to the Steel Company of Canada, a government task force was appointed in 1969 to prepare an outline development plan to guide the direction of provincial policies and programs in the area. Its study concluded that the area "... is likely to reach a population of 150,000 some time between 1986 and the end of the century" and that a site for a new town should be purchased, preferably in Woodhouse Township. The study further recommended that "The Government should either secure the site immediately by option, purchase or expropriation, or take whatever other measures are necessary to avoid speculation, inflation of land values, and development inconsistent with the Woodhouse New Town proposal, pending later public acquisition."

The South Cayuga area was considered in the Haldimand-Norfolk study as an alternative to Woodhouse. Woodhouse was recommended by the study group over South Cayuga because South Cayuga, "though convenient to Nanticoke is otherwise somewhat isolated by the Grand River and would therefore be particularly vulnerable to becoming in effect a company town." However, it "could be suitable for large scale urban development in the future."

In 1974, however, the Province acquired land at Townsend, northeast of the recommended Woodhouse site and at South Cayuga. Although the Haldimand-Norfolk study did not mention Townsend as an alternative to the Woodhouse site, an analysis by the Ministry of Government Services determined that the cost of acquiring the Townsend site would be approximately \$2,170 per acre while Woodhouse would be approximately \$3,573 per acre.

The motivation for the acquisitions was explained to the Committee in testimony by the former Treasurer, Mr. John White:

We anticipated enormous growth in Haldimand-Norfolk. In 1973 the population of these two counties, now a region, was 86,000 people. We got a number of professional consulting firms to estimate the population in the year 2000. The estimations ranged up to 900,000. I think that came from Bechtel Canada. Now we had to decide whether to permit a tenfold expansion of every hamlet, town and city in that area or to try to preserve the very pleasant characteristics of some of those communities by establishing one or several town sites. We decided to do the latter. We commissioned a report which took many months and which identified half a dozen or more very suitable town sites for the region. Somewhat to my consternation, I learned that a property developer had accumulated thousands of acres in the region and was making a very determined effort to persuade us, or force us, into acquiring those lands or, more correctly, the residential portion of the lands, leaving to them the monopoly of the commercial portion of a new community. They wanted to develop the whole thing and when that became obviously impossible, they said, "Here, we will sell you, at our cost, the residential portions of this town site if we can keep the commercial area of the town site". At the same time as this property developer had acquired thousands of acres of Townsend, some unknown person acting through the Royal Trust was taking options (in the Woodhouse site) at up to \$8,000 an acre. In other words, somebody was optioning this property, no doubt at very small option prices, at very high potential selling costs. I was faced with a conundrum. Here was a developer who had acquired a large patch of land which was not one of the sites identified by the experts but which, after the fact, was said to be as good as any site chosen. At the same time, somebody is optioning land at \$8,000, thereby precluding the acquisition of those lands. I went to the largest real estate firm in Canada, namely A. E.



LePage, which has had more experience in putting together large parcels of land, I think, than any other such firm, and asked them to option properties on ... the Cayuga site, and so they did. Now then, we having optioned substantial parcels of land in Cayuga and we having decided that the Townsend land was equally suitable, we had to decide whether to buy one or both of these sites. I had sort of a think-in with my senior civil servants and I polled the table. Should we buy one site and anticipate a city there of 500,000 people in 25 years or should we buy two sites and anticipate two cities of 250,000 people? This was on a Friday I think. Every senior civil servant at the table said we should have one city of 500,000 people. Okay, so be it. Then I went home to London, Ontario, population 250,000 people and I thought to myself, "Gee, if you have got 12 senior civil servants to advise a course of action, the chances are about five to four that they are wrong and, secondly, since I myself find 250,000 people an ideal community size, I think we will have not one city of 500,000, but two cities of 250,000". So I bought both of the pieces of land. We waited until the very day that the Revenue Properties options were to expire. They came in and capitulated and we went ahead and exercised our options in the Cayuga site.

I simply decided as the minister responsible that it would be better to have two medium-sized cities than one large city, and I persuaded my colleagues that I was right.

I had policy and priorities board's approval before we did any optioning, and I had cabinet approval before we did any purchasing.

Mr. Hall: I assume that the Premier agreed with you because the policy and priorities committee accepted what you had to say.

Mr. White: The whole cabinet--speaking in that collegial sense, the government, the cabinet decided to buy the property.

Mr. Chairman: What was the activity of the Premier in all of this? Was he kept informed of this grand scheme, and the cost of it, and did he give his imprimatur to this program?

Mr. White: Well, there aren't very many things that go through cabinet that the top man disagrees with.

## **Method of Purchase**

As described in testimony, A. E. LePage, Ltd. was retained to acquire options to purchase land in the South Cayuga site on behalf of the Province. These arrangements were concluded in a series of private meetings in the former Treasurer's apartment. There was no initial written agreement with the real estate company, though the terms of the arrangement were later outlined in a memorandum of agreement between the Company and the Ministry. These were

that the Company would assemble by option from a minimum of 5,000 acres to a maximum of 14,000, and the Province would pay the Company either a fee of \$20,000 if the options were not exercised or a commission of five percent if they were. The Company was to advance the option money and was to receive interest on all moneys advanced at the prime rate plus one percent. The Company was also instructed to negotiate separations and lease-backs for those farmers who wished to retain parcels of land and/or who wished to remain on their lands for a specified period of time.

In the case of Townsend, again on the testimony of the former Treasurer, the Province acquired the land optioned by Revenue Properties for the Company's actual costs plus an additional five percent. The remaining property -- approximately 3,400 acres -- was acquired directly by the Ministry of Government Services.

## **Costs**

The question of the cost of the lands to the Province was also of concern to the Committee.

To finance investments in land sites, including Townsend and South Cayuga, the Ontario Land Corporation borrowed money from the Treasurer of Ontario by issuing a series of five year notes. Effective October 1, 1978, by authority of Order in Council 958/79, these notes became non-interest bearing. And, notes issued in 1979 were non-interest bearing.

The South Cayuga land assembly of 12,847 acres was appraised in 1980 by an independent appraiser on behalf of the Provincial Auditor at a maximum market value of \$16,058,350, or \$850 per acre. Its acquisition price was \$26,351,284, or \$2,051 per acre. Total acquisition cost as of 1980, including acquisition price, interest, taxes, maintenance and miscellaneous less rental income was \$35,653,575, or \$2,775 per acre.

The approximately 10,000 acres of the Townsend site not intended for development were also appraised in 1980 at a maximum market value of \$17,000,000, or \$1,700 per acre. Acquisition price of the land, at \$2,064 per acre



was \$20,640,000. Total acquisition cost as of 1980, including carrying costs, was \$3,082 per acre or \$30,820,000 for the 10,000 acres.

Had interest on the Townsend and South Cayuga developments been capitalized subsequent to October 1, 1978, the total recorded costs of these developments at March 31, 1980, rather than being approximately \$80 million, would have been increased by about \$10.4 million. Estimated further interest charges on these two developments for the five years ended March 31, 1985 would have amounted to approximately \$79.5 million.

### **Future Uses**

A final matter of concern to the Committee is the present and future use of these lands. Testimony and submissions to the Committee indicate that Townsend is to be developed as a town site for 40,000 people using 2,600 of the total of 13,446 acres. At the present time, agreements have been reached with five builders for the construction of 22 model homes in Phase 1 of the first stage of development.

The 12,847 acres of the South Cayuga land assembly are not part of any current development plans of the Ontario Land Corporation. The lands are being leased out to farmers for agricultural purposes. On November 25, 1980 the Ministry of the Environment proposed that one hundred acres of the site be used for liquid industrial waste disposal by the planned Ontario Waste Management Corporation. If this plan were carried out an additional 640 acres would be set aside as a buffer zone. A further control zone of approximately one mile on all sides from the boundaries of the facility would also be established. No resident would be permitted within the buffer zone; farming would continue in the control zone.

### **Edwardsburgh**

#### **Reasons for Purchase**

Edwardsburgh, located in the Eastern Ontario Region, was purchased to provide for an industrial park and associated community development in that



Region. On January 20, 1975, the Ministry of Treasury, Economics and Intergovernmental Affairs requested that Management Board approve "\$13,220,000 in the estimates of the Ministry of Government Services (MGS) to acquire land for an Industrial Park and associated community development in the Eastern Ontario Region." The report further stated that:

This location close to the seaway and major transportation, is ideal. It will be easy to service and it does not encroach on prime foodlands. Development here should provide economic stimulation and trigger secondary industrial and commercial development for the entire Eastern Ontario Region without disrupting existing communities. It is being acquired to allow for the accommodation of major industries and associated community and support services which the Government hopes to have located in Eastern Ontario as part of an overall development strategy.

### **Method of Purchase**

The method of purchase for Edwardsburgh closely parallels that used in South Cayuga. Again, A. E. LePage Ltd. was retained by the former Treasurer to acquire options to purchase the land. Again, there was no written agreement with the Company, and a memorandum of understanding written after the optioning process began is the basic documentation of the process of purchase. The Company was to assemble by option between 5,000 and 10,000 acres, receiving \$20,000 if the options were not exercised and five percent of the purchase price if they were. Again, the Company was instructed to negotiate separations and lease back arrangements with those vendors who wished them.

### **Costs**

In 1977, the 10,466 acres of the Edwardsburgh land assembly were appraised by the Ministry of Government Services at \$3,239,850, or \$309.56 per acre. Acquisition price for that land was \$7,581,646 or \$724.40 per acre. Total cost at that point, including acquisition price, interest, taxes maintenance and miscellaneous less the rental income was \$8,780,711.

## **Future Uses**

According to an April 29, 1977 submission to the Cabinet Committee on Resources Development by the then Ministry of Treasury, Economics and Intergovernmental Affairs,

The chances of successfully developing the Edwardsburgh Land Assembly into a park for heavy industry are poor due to slow growth in the provincial manufacturing sector. So far, industry has shown little interest.

On June 29, 1977, based on the recommendations of the above submission and those of consultants hired by the Ministry of Industry and Tourism, the uses to which the land is now put were approved by Cabinet. These are: (a) forestry; (b) farming, and (c) growing of hybrid poplar trees.

## **Findings**

The Committee makes no value judgment on the value of land banking as such. However, the Committee does conclude from its examination of these assemblies that these multimillion dollar expenditures were handled throughout with little care for the costs involved.

Given the planning resources available to Government, the Committee cannot understand why they were not put to use in these cases. Of the three purchases, only Townsend could be said to be even partially justified by the evidence of rigorous planning assessments. Examination of the Bechtel Canada study cited by the former Treasurer as the basis for his decision to buy the two Haldimand-Norfolk assemblies shows that the population figure quoted of 900,000 refers not to Haldimand-Norfolk but to Southwestern Ontario, defined by the study's authors as encompassing the Niagara, Lake Erie, Lake St. Clair and Midwestern Ontario economic regions. While the Townsend assembly was supported in principle by planning documents, the Committee notes that the size and scope of the purchase was clearly excessive, particularly when followed by the purchase in South Cayuga, which was made against civil service advice. The lack of planning for the purchase of Edwardsburgh was total.

The Committee believes that the individual judgment of a Minister is insufficient basis for expenditures of this scope. And, as these purchases were made with the approval of Cabinet, the Premier and Cabinet must bear the responsibility for the losses these decisions occasioned.

The Committee is also concerned with the lack of proper procedure throughout in these purchases. In particular, it considers that decisions made in private meetings with the real estate agency, followed by a belated memorandum of agreement, to be an improper means of conducting government business. As well, the Committee notes that the land assembled contains many pockets of land still privately held. Severances of up to twelve acres were permitted in Townsend and South Cayuga, while substantial blocks of land within the site at Edwardsburgh were left unpurchased, rendering the assemblies unusable for large scale development without further purchase.

The Committee has also noted the accounting procedures by which the fully carrying costs of the land are not shown in the accounts of the Ontario Land Corporation. While it is the prerogative of the Treasurer to forgive the interest, the Committee believes that the consequence is to mask the true cost of the land.

The Committee recommends that the Government now actively seek to minimize or end its losses on all three of these land assemblies, including an examination of the possibility of sale.

The Committee believes that the questions posed in these hearings warrant further examination of land assembly programs by the province. The Committee, therefore, will look further into other land assemblies of the province in 1981.



### Dissenting Statement

Mr. MacBeth wishes to dissent from the conclusions of the Committee to the following extent:

Under the heading of "Land Assembly", the Committee is critical of a number of land purchases. Events subsequent to the purchases have made much of the land surplus at the present time. If the economy had continued to expand, it could have been otherwise. To me these purchases exemplify the dangers inherent in so called "land banking theory".



## MINISTRY OF HEALTH, ST. MARYS CLINIC

The Committee's examination of the Health Services Organization Program of the Ministry arose out of the observations of the Provincial Auditor in section 64 of his Report for 1979. This section dealt with two aspects of the Program: 1) the financial operations of one clinic in the Program, the St. Marys Clinic in St. Marys, Ontario, and 2) the adequacy of the Ministry's mechanisms for monitoring the cost effectiveness of the Program. The Committee heard testimony on three occasions on this topic and received submissions from the Ministry and other interested parties. Findings presented in this Report relate only to the two aspects of the program named above and not to the value of the Program's concept or the operation of other HSOs in the Program.

### The Program

The Health Services Organization Program of the Ministry of Health is seven years old. According to submissions made to the Committee by the Ministry, as of May 1980 there were twelve HSOs. A majority of these are physician sponsored, as is the St. Marys Clinic, with the physician partners sharing the profits of the clinic. A minority are sponsored by community boards, with physicians paid a fixed sum for their services.

Health Services Organizations are distinguished from other kinds of medical practices in that they are funded by the Ministry on a capitation basis, that is, the HSO is paid a sum per month per patient on the clinic roster. For this sum the clinic is to provide whatever medical services the patient needs, within the medical specialties which the clinic has represented on its staff. This method of payment differs from the more usual practice of Ministry payment to physicians based on a fee for each service performed and from another experimental program of the Ministry, the Health Centres Program, where Health Centres are given a fixed budget based on salary for the physician and nurse-practitioner and a fixed overhead cost.

The goals and objectives of the program, as supplied to the Committee by the Ministry are the following:

## GOAL:

To encourage the continuous evolution of health care methods through the development of alternative systems of organizing and funding health services to support cost/effective health programs.

## OBJECTIVES:

1. Create an environment supportive to physicians and other health care personnel which allows flexibility in the response to the needs of individuals in the delivery of health care.
2. Develop a co-ordinated system of health care which will meet health needs of the population served by the HSO and establish an accessible, efficient health care delivery system at the primary care level.
3. Provide special attention to health maintenance and illness prevention measures which will enhance the health status of the people served.
4. Meet health needs by using the most appropriate and economical health care resources.
5. Increase ambulatory care, self-care and home care.
6. Decrease institutional health care.

### St Marys Clinic

The St. Marys Clinic is located in St. Marys, Ontario, a town of approximately 5000 people some sixteen kilometers south of Stratford. Though the HSO Program did not begin until 1973, this Clinic has had special funding relationships with the Ministry since 1971. These are as follows:

- (1) From 1971 to 1977 the Clinic was paid a monthly fee for each patient participating in the scheme. In return it was to provide medical care when needed. If the patient received treatment outside the Clinic -- seeing a specialist, for example -- the cost of that treatment to OHIP was deducted from the total monthly payment by the Ministry to the Clinic.
- (2) In 1977 the capitation formula was replaced with a fixed monthly payment by the Ministry to the Clinic. The amount of this payment was based on the net total paid to the Clinic in 1976-77 with adjustments to reflect rises in provincial per



capita costs, in OMA fees, and the increase in the number of patients the Clinic served when it absorbed another physician and his practice. Under this payment method, the cost of treatment of Clinic patients by outside physicians was no longer deducted from the monthly payment. It was assumed that the 1976-77 net figure reflected the level of use of outside physician's services.

- (3) The current formula for funding is again a capitation formula based on the number, age and sex of the patients on the Clinic's roster, but in this case the Clinic is only charged back that month's capitation payment when a roster patient seeks medical help elsewhere, rather than the full cost to OHIP of that treatment. In addition, the Clinic is permitted to run a normal fee for service practice as well as its rostered Clinic practice.

The concern expressed by the Auditor in his Report and shared by the Committee in regard to the St. Marys Clinic centered around the high level of remuneration the partners in the Clinic received, which greatly exceeded the provincial average for similarly qualified physicians. Directly related to this concern was the question of the accuracy of the roster upon which the capitation payment is calculated. In testimony, the Ministry assured the Committee that procedures for creating an accurate roster based on forms signed by the individual patients and maintaining the roster through monthly additions and deletions by the HSO are now in place. Testimony from a practising physician in St. Marys claiming substantial overlap between the Clinic roster and his patient load and the contents of the letters, submitted to the Committee by the Ministry, upon which the current roster is based, have called this assurance into question. In testimony the Ministry noted that it does have the capacity to generate lists of patients treated by each physician, but that the policy of the Ministry is not to develop information on individual physicians or individual patients for any purpose without their permission. At the direction of the Committee the Provincial Auditor is now comparing the roster of the St. Marys Clinic and the patient lists of nearby fee-for-service practices.

### Program Evaluation

The second major issue raised in the Auditor's Report and before the Committee concerned the financial objectives of the Program and the adequacy of the Ministry's monitoring of the Program's success or failure in meeting those

objectives. In testimony before the Committee the Ministry explained that the financial objective of the Program was "to get effective medical care at no greater cost to the taxpayers than the normal fee-for-service." This objective is obtained by setting the capitation fee on the basis of the provincial average cost for that age and sex of patient for the particular areas of medical specialization the HSO has contracted to provide. The Ministry did not think it practical or desirable to compare the cost of services provided by the HSO either to what those services would have cost had the HSO billed them as fee-for-service or to the costs and operations of a comparable fee-for-service practice. Nor did the Ministry consider it desirable to monitor the extent to which HSOs provide preventative health care programs or use the services of non-physician medical support staff to decrease costs. Ministry policy is to give HSOs maximum discretion in their practices rather than require that any particular method of operation be used.

### Findings

The Committee commends the Ministry for its decision to experiment with more effective and cost-efficient means of providing medical care. However, the Committee does not believe that the experimental nature of the Health Services Organization Program absolves the Ministry of responsibility for instituting proper planning procedures, including a clear definition of the objectives of the program, including the cost effectiveness objective, and the establishment of means of measuring the degree to which these goals have been reached. Documents submitted to the Committee by the Ministry show no evidence of such advance planning.

The Committee is also disappointed by the apparent lack of concern with the question of value for money displayed in our hearings by the officials most directly charged with responsibility for the program, Dr. Boyd Suttie and Mr. Ray Berry. In particular, the Committee is disappointed with the quality of responses to requests for information and with the lateness of these responses, which served to hinder the Committee in its work. The Committee is also displeased by the lack of cooperation by the Ministry with the Provincial Auditor in his comparison, at the direction of the Committee, of the roster of St. Marys Clinic and the patient lists of nearby fee-for-service practices.



The Committee notes with concern the generality of the current stated objectives of the program and the resulting difficulty which arises in attempting to measure the program's success or failure in meeting its goal. The goal, stated in testimony, of matching fee-for-service costs appears to the Committee to demonstrate a lack of interest in pursuing the full potential of effectiveness and efficiency of which HSOs may be capable.

In particular, the Committee notes the absence of means of monitoring the cost effectiveness of HSO operations. The Committee notes with concern that the 1976 Report of the Ontario Council of Health's Task Force on Evaluation of Primary Health Care, chaired by Dr. W.O. Spitzer, completed two years after the initiation of this program, is the sole document provided to the Committee by the Ministry which sets out a plan for measuring the cost effectiveness of Clinics in the program. In this regard, the Committee recommends that the Ministry consider the adoption of the recommendations of the Spitzer Report that clinics paid on a capitation basis be compared with practices providing care on a fee-for-service basis, and that the financial indicators recommended be developed and used.

If capitation is to remain as the basis of remuneration, the Committee recommends that, as a first step in ensuring financial accountability, the Ministry seek means for guaranteeing that rosters upon which capitation payments are based are correct. In this regard, the Committee urges the Ministry to make maximum use of encounter data and charge back information already available to it.

Secondly, the Committee recommends that the Ministry undertake to recover payments made in error for individuals improperly on HSO rosters retroactive to the time when the actual ineligibility began. This recommendation is of particular importance in the light of the recent 1100 name reduction reported to the Committee by the Ministry on October 16, 1980 in the St. Marys Clinic roster. The Committee notes that retroactive recovery of funds paid in error is a normal government practice and is surprised that it has not been applied in this case.

Finally, the Committee does not believe that sufficient control has been exercised by the Ministry over the St. Marys Clinic. The Committee believes

that the letter sent by the Clinic to potential enrollees may have been substantially misleading to its recipients and that the Ministry, while tactfully noting that the letter was deficient in some respects, failed to ensure that a proper letter was sent. Despite testimony that the roster of the St. Marys Clinic has been audited from the beginning, testimony before the Committee shows that as roster monitoring has grown more vigorous, the number of patients on the roster has diminished. The Committee notes that the work of the Provincial Auditor on roster verification is still in progress. The Committee intends in their 1981 deliberations to review this matter again, and in particular to ascertain if the Ministry of Health has established a system to adequately monitor the capitation, and payments to St. Marys Clinic.

## MINISTRY OF THE SOLICITOR GENERAL

The Committee heard testimony from the Ministry on the issues noted in sections 74 and 75 of the report of the Provincial Auditor.

The Committee would like to draw attention to the issue raised in section 75, concerning non-recovery of costs of policing municipalities. Here the problem is that although a number of municipalities pay for OPP policing services provided to them by agreement with the Ministry, others receive these services without charge. In testimony before the Committee, the Deputy Solicitor General noted that the problem was one which required collective action by the Ministry of Treasury and Economics, the Ministry of Intergovernmental Affairs and his Ministry, which has not taken place. As well, the Deputy commented on problems of unevenness in the adequacy of police servicing in various areas, stating that, in his view, the solution lies in the Ontario Police Commission having the authority to withhold grants in whole or in part until it is satisfied that adequate standards have been met.

The Committee noted with interest the testimony of the Deputy Solicitor General and wishes to thank him for his frank answers. The Committee shares the frustration which he expressed that these problems, which involve coordinated action between his Ministry and others, have been dealt with so slowly. On the question of policing, the Committee recommends that the Ministries involved move without further delay to arrive at a rationalized and equitable means of financing policing services on a consistent basis.



## PUBLIC OPINION POLLS

On February 27 the Deputy Minister, Office of the Premier, appeared before the Committee to discuss questions of the value of, use of and access to public opinion polls taken by government. On the question of value, the Committee noted that it could come to no opinion on the question of "value for money" of these polls without access to the polls themselves.

Another issue of concern to the Committee was the problem of separating use for partisan advantage from use for policy purposes by government. On this point, the Deputy Minister testified as follows:

None of us are in watertight compartments, so that you move from one kind of activity to another, from meeting with one group of people to another and completely shut off what happened in the previous activity or discussion. So that is why I am saying to you, in response to your questions, that I cannot sit here and say that I never heard anybody ever raise the materials or information that may come from one of the polls to which I have been making earlier reference today. On the other hand, I could assert without equivocation that I have never been involved where one sort of rushes from a cabinet session into one of those other meetings and says, "Hey, see what we have found in these polls . . . That is not the way the system has tended to operate."

The major question discussed, however, was the one of access. The Deputy Minister and several Members expressed the view that these polls were cabinet documents subject to confidential treatment as a matter of principle. Other Members noted that freedom of information principles are becoming more widely accepted and discussed whether there is a middle ground between absolute confidentiality and full disclosure. Some Members observed that poll information is fully as important to Members in the conduct of their responsibilities as it is to government. A motion that the Chairman make a report to the House recommending that Mr. Speaker issue his warrant for these documents was carried. Subsequently the Office of the Premier tabled all polls taken in 1978-79 in the House.

While the Committee was pleased that access to polls was obtained in this instance, the Committee believes that poll data collected by government should be routinely made available to the general public. It recommends that the



Premier set down a specific policy on access to polls in accord with the conclusions reached in Background Paper Number 13, entitled Freedom of Information and the Policy-Making Process, of the Commission on Freedom of Information and Individual Privacy. The Committee supports the argument made there that because public opinion polls are based on scientific surveys they are factual information rather than opinion and thus do not involve the problems of disclosure of opinions and advice upon which the principle of confidentiality in government decision-making is based. This policy would have the further benefit of dispelling concerns that the polls represent the use of public funds for partisan purposes.

## MINISTRY OF THE ATTORNEY GENERAL

Officials from the Ministry of the Attorney General came before the Committee February 28 to discuss three items raised in the Auditor's Report.

The first of these, set out in section 47, concerned an over-payment to an ill employee who received full pay as a result of a failure by the Ministry to obtain the proper medical certificate. The Ministry stated that as a result of this incident it has reemphasized the importance of receiving such certificates without delay.

A second matter involved problems in proper inventory control of moveable assets noted by the Auditor in section 48. Here the Ministry replied that it had introduced a completely revised system of monthly reporting for recording and controlling its moveable assets, with a particular person in each branch office made responsible.

The Committee is pleased to hear that tighter controls will be exercised in the future.

The third area for examination was the financial management of legal aid community clinics by the Legal Aid Plan and the Law Society as outlined in section 89 of the Auditor's Report. Here the major concerns were whether the extent of supervision of the clinics by the Society and the Ministry was sufficient to ensure accountability and whether the records kept of work done were sufficient to make a proper accounting possible. The historical tradition of clinic independence was noted along with the concern of some Members that their mandate from the Legislature to provide legal advice for the needy had been expanded by clinics to include a wide variety of social action and legal reform activities.

The Committee believes that the weaknesses in control and accountability noted by the Auditor should be rectified. In particular, the Committee recommends that formal criteria for eligibility for assistance from clinics be established by the Law Society, that the scope of audits of clinics be broadened, that purchasing procedures and records needed to safeguard fixed assets be developed, and that the frequency of visits by Fund administrators to clinics for evaluative purposes be increased.

## MINISTRY OF HEALTH, ONTARIO DRUG PLAN

Officials of the Ministry of Health came before the Committee April 10 to discuss the observations of the Provincial Auditor on the Ontario Drug Benefit Plan, noted in section 61 of his Report. Under this Plan, drugs listed in the Drug Benefit Formulary are provided free of charge to senior citizens, welfare recipients and certain other eligible persons when prescribed by a physician or dentist.

Two matters were of particular concern to the Committee:

- 1) It is common practice to dispense no more than one month's medication at a time to individuals receiving benefits under this plan, despite the fact that they may be on long term therapy and the prescribing physician is willing to authorize a long term supply. In his Report the Auditor notes that the Ontario Drug Benefit Formulary Pricing Committee has suggested that "consideration should be given to dispensing more rational quantities at one time to generate savings in prescription fees and, at the same time, alleviate the hardship of repeated visits to a pharmacy by the Plan recipients." While the Committee notes the concern that free and/or longer term prescriptions contain the possibility for drug abuse, it believes that the benefits of longer term supply noted by the Formulary Pricing Committee and the Provincial Auditor merit serious consideration.
- 2) All drugs supplied under the Plan must be covered by a prescription from a physician or dentist. This includes what are called Over the Counter Drugs, that is, medication which can normally be bought without prescription by the general public. The cost of these medications, when provided by the Plan, is not the price when purchased off the shelf, but one which includes a dispensing fee to the pharmacist. The Committee recommends that the Ministry give consideration to negotiating a reduced dispensing fee for these medications with the Ontario Pharmacists Association.



## ROYAL ONTARIO MUSEUM

In its 1979 Report, the Committee discussed its findings and recommendations concerning the renovation and expansion program of the Museum and the efficiency of its daily financial operations. Again in 1980 the Committee heard testimony on the success which the Museum and the Ministry of Culture and Recreation have had in resolving the questions raised in 1979.

The Committee is pleased to see that progress has been made by the Museum in improving its internal financial controls, in particular the progress which has been made in regularizing the handling of trust accounts.

The Committee sees little progress in the imposition of controls on the financial management of the renovation and expansion project, however. The major problems identified in 1979 were, first, the extent to which the Museum has authorized construction on this project before it actually had the funds to pay for it committed or in hand, and second, the extent of the Ministry's commitment to providing the Museum with sufficient funds to complete the building program.

In the first of these issues, the Museum responded that it had decided to go ahead with construction on the assurance from the Minister that the provincial government would undertake to see the project through on budget and on time. Some Members noted that the decision appeared from the Auditor's Memorandum to have taken place after the Minister's letter of October 5 clarifying the extent of provincial commitment.

On the second issue, the Museum stated that it understood the Ministry's commitment was to make up any shortfall from other funding sources to reach the \$44.25 million originally budgeted and needed to meet the current minimum plans for the project. The Ministry would contribute either \$11 million, as a consequence of the Loto Canada agreement with the federal government, or enough to meet the budget - whichever was larger. The Deputy Minister indicated that in his view the Ministry was committed to the \$11 million and to assisting the Museum in carrying out its plans.



The Committee recommends once again that the Museum, or any entity relying on public funds, not be permitted to embark on large scale capital projects without the approval of Management Board. Management Board should be held responsible for seeing that funds for the project are committed or in hand before approval is given. The Committee also wishes to emphasize that entities which rely on public funds should be expected to demonstrate the same level of accountability for their use of those funds as government.

## CONSULTANTS

On two occasions, the Committee heard testimony concerning the use of consultants and the tendering of consultant's contracts.

### Ministry of Community and Social Services

In the first of these, raised in section 50 of the Auditor's Report, the Minister of Community and Social Services explained that the hiring of a former employee of the Ministry as a consultant resulted from a unique set of circumstances and was not the norm. The consultant was an accountant who understood a complex financial system which was in the process of being replaced. Thus it would have been inefficient to train anyone else in its methods. This hiring was not tendered at the discretion of the Deputy Minister for the same reason.

In general, the Minister noted his agreement with the Auditor's remarks and stated that the question of hiring former employees would be raised with Management Board in the expectation that a uniform policy would be desired.

On the question of the tendering process for consultants in the Ministry of Community and Social Services, the Auditor noted in his Report that several contracts were priced at just under the \$15,000 limit which, if exceeded, would have required specific approval of Management Board. In some cases, the contracts appeared to be segments of a total project, contracted out in portions either in back-to-back contracts with one consultant or to several consultants. The Auditor observed that "when different aspects or phases of a job are performed by different management consultants or by the same consultant under a series of agreements, it becomes extremely difficult to arrive at the total cost of a job." In response, the Minister indicated that the Ministry is committed to tighter controls and has produced Ministry guidelines in addition to the Manual of Administration requirements. The practice of hiring consultants for limited projects rather than adding permanent staff was defended as cost-efficient, however.

## Ministry of Intergovernmental Affairs

The second occasion on which the Committee considered the use of consultants and the tendering of contracts involved the operations of the Hamilton-Wentworth Review Commission in carrying out its mandate to examine, evaluate and make appropriate recommendations on the structure, organization and operation of local government within the Regional Municipality. In section 68 of his Report the Auditor notes that of five consulting contracts reviewed, four had been awarded without requesting a minimum of three quotations. Total costs to the Commission included not only the contracted prices, but additional payments for expenses inadvertently left out of the contract and the Commission's contribution to the consultant's overrun costs. Officials of the Ministry of Intergovernmental Affairs, answering on behalf of the Review Commission, responded that the speed and quality of the consultants work had been such that the Commission decided to reimburse them for a portion of this cost overrun. And, the Commission felt a moral obligation to pay them for an item left out of the contract by inadvertence.

### Findings

The Committee views with concern the practice of hiring former employees as consultants. As a consequence, the Committee recommends that Management Board consider the establishment of a general rule to deal with the situation presented by the hiring of a recent employee of the Ministry as a consultant. The Committee recommends that careful consideration be given to the imposition of an interim period of one year between the termination of employment and eligibility to bid on a consulting contract with a Ministry.

The Committee is concerned with the tendering practices which it observed in these two cases. While it is happy to note the assurance of the Minister of Community and Social Services that more stringent guidelines have been adopted, it also notes that consultants' contracts with the Ministry have been renegotiated after signing. And, the Committee is concerned that the Ministry of Intergovernmental Affairs, from its testimony before the Committee, sees no need for reform in this area. The Committee considers the further payments made to be inappropriate, and expresses its concern with the substantial increase



in costs after the contract was negotiated. It recommends that the tendering system be closely monitored with a view to insuring that tender prices are adhered to. Renegotiation of contracts after the fact should no longer take place. The Committee supports the recommendations of the Auditor in section 50 of his Report that:

- 1) agreements be in a form approved by the Legal Services Branch, and a standard form of agreement be considered;
- 2) work to be done be detailed in the agreement and the terms of reference clearly defined;
- 3) agreements be completed before any of the contracted work has commenced;
- 4) a management committee conduct a quarterly review of extended engagement of consultants;
- 5) accumulation of service costs on a project basis be implemented for management consulting services;
- 6) coding of service costs be subject to more scrutiny to ensure that expenditures are properly and consistently allocated;
- 7) consultants' invoices be certified that services have been rendered and prices are in accordance with agreements before submission for payment.



## MINISTRY OF THE ENVIRONMENT

The Committee reviewed the operations of five aspects of the Ministry's activities in the light of the Auditor's comments in sections 54, 55, 56, 58, and 59 of his Report. From these activities the Committee selected the operation of the Experimental Plant for Resource Recovery for detailed examination. It was explained by the Ministry that this plant was primarily intended as a research facility rather than as an economically viable operation. The Auditor noted in his Report that the main purposes for constructing the experimental plant were:

- To develop and evaluate processes and equipment for resource recovery.
- To develop criteria for design and for estimating capital and operating costs.
- To provide a regular supply of recovered resources for product utilization and market development.

The total cost of the plant was estimated in 1973 at \$6.8 million and it was expected to be fully operational by late 1976. The plant commenced full operation in 1978. Its cost was more than double the original estimate at \$14.6 million. The increase in costs resulted from substantially low original estimates compounded by the marked rise in construction costs since 1973. As well, the Auditor noted that formal tendering procedures were not followed in the purchase of \$182,791 of additional equipment and modifications.

The Committee noted with concern that the actual cost was more than double the original estimate, and questions the cost and success of the program given its limited utility. Clearly the costing of such projects should be much more effective than it has proven to be in this case. The Committee believes that financial control should have been sufficiently rigorous to prevent a cost rise of this dimension. Finally, the Committee notes that once again a Ministry has failed to follow proper tendering procedures and urges that the responsibility for such lapses be pinpointed.

## MINISTRY OF AGRICULTURE AND FOOD

The Committee reviewed the operations of five aspects of the Ministry's operations in the light of the comments of the Provincial Auditor in sections 45, 46, 88, 92, and 94 of his Report. The Committee would like to draw attention to the efforts of the Ministry to use the Management by Results process as a means of increasing the effectiveness of program evaluation, and to encourage the Ministry to continue these activities.

The Committee also wishes to note its concern with the non-routine and non-arm's length transactions of the Ontario Food Terminal Board involving the part-time employment of members of immediate family and the purchase of a truck. The Committee supports the recommendation of the Auditor that such transactions be strictly prohibited by the Board and the fact that such prohibited practices be communicated in writing to the appropriate levels of officers and employees of the Board.

## MINISTRY OF COLLEGES AND UNIVERSITIES

The Committee reviewed the activities of the Training in Business and Industry Program as reviewed by the Provincial Auditor in section 49 of his Report. The purpose of this program, as explained by the Auditor, is to encourage the training of employees in occupational skills or to enhance existing skills. The goals of the program are improved employee efficiency, effectiveness and productivity. In the light of these goals, the Committee had considerable difficulty in understanding the rationale of a number of the programs offered, for example, training in judo for a judo association or emergency first aid for a ski patrol organization. The Committee recommends that the Ministry training programs be rationalized, not only internally, but in relation to other training programs available in provincial and federal governments and in the private sector. The Committee also recommends that guidelines, particularly guidelines setting the amount of funds which any client may receive per year, be strictly followed.

## MINISTRY OF TREASURY AND ECONOMICS

The Deputy Minister of Treasury and Economics came before the Committee to explain the rationale for the Ministry's decision, as noted in section 74 of the Auditor's Report, to request that the federal government deposit the final amount of Ontario Income Tax due to the Province for 1977 after the end of the 1978-79 fiscal year. One consequence of this decision was a loss of \$12,000 in interest. The Deputy Minister stated that the late deposit was made to achieve a relative balance between revenues and expenditures for 1978, so that the cash requirement level maintained its stability. The Committee is concerned both by the loss of interest and by the principle of moving such payments from the year in which they properly belong. Such practices, in the Committee's view, hinder the process of accountability and serve to detract from the credibility of the financial statements. The Committee recommends that such practices be discontinued.



## AUDITING PROCEDURES

The Committee believes strongly that each Ministry, Agency, Board and Commission of Government should have an audit committee which deals with internal audit branch reports. Such an audit committee would also receive the audits and comments of the Provincial Auditor and of the Public Accounts Committee and be responsible for responding to them.

The Committee recommends that, in addition to the creation of audit committees, the Ontario Government should require that all Agencies, Board and Commissions be required to have comprehensive auditing performed. This practice would parallel the comprehensive audits of the Provincial Auditor of Ministries, now being undertaken in accordance with the authority vested in him by the Audit Act, 1977.

The Committee also recommends that comprehensive auditing become a requirement for all provincially-funded bodies, such as hospitals, colleges, universities, boards of education, municipalities and conservation authorities.

## SUMMARY OF RECOMMENDATIONS

### Accountability and Responsibility

The Committee recommends that the Deputy Minister as Chief Administrative Officer account for his performance of specific delegated or assigned duties before the legislative committee responsible for the scrutiny of government expenditures, the Public Accounts Committee.

The Committee recommends that public officials remain permanently accountable for their decisions while in a particular office.

### Performance Appraisal and Discipline

The Committee recommends that regular, accurate performance appraisal be stressed throughout Government and at all levels.

The Committee recommends that rewards be tied to exceptional performance rather than to merely adequate performance of duties.

### Land Assembly

The Committee recommends that the Government now actively seek to minimize or end its losses on all three of these land assemblies including examination of the possibility of sale.

### Ministry of Health, St. Marys Clinic

The Committee recommends that the Ministry consider the adoption of the recommendations of the Spitzer Report that clinics paid on a capitation basis be compared with practices providing care on a fee-for-service basis, and that the financial indicators recommended be developed and used.

The Committee recommends that, if capitation is to remain as the basis of remuneration, the Ministry seek means for guaranteeing that rosters upon which capitation payments are based are correct as a first step in ensuring accountability.

The Committee recommends that the Ministry undertake to recover payments made in error for individuals improperly on rosters, retroactive to the time when the actual ineligibility began.

### **Ministry of the Solicitor General**

On the question of policing, the Committee recommends that the Ministries involved move without further delay to arrive at a rationalized and equitable means of financing policing services on a consistent basis.

### **Public Opinion Polls**

The Committee recommends that the Premier set down a specific policy on access to polls in accord with the conclusions reached in Background Paper Number 13, entitled Freedom of Information and the Policy-Making Process, of the Commission on Freedom of Information and Individual Privacy.

### **Ministry of the Attorney General**

The Committee recommends that formal criteria for eligibility for assistance from clinics be established by the Law Society, that the scope of audits of clinics be broadened, that purchasing procedures and records needed to safeguard fixed assets be developed, and that the frequency of visits by Fund administrators to clinics for evaluative purposes be increased.

## **Ministry of Health, Ontario Drug Plan**

The Committee recommends that the Ministry give consideration to negotiating a reduced dispensing fee for Over the Counter drugs with the Ontario Pharmacists Association.

## **Royal Ontario Museum**

The Committee recommends that the Museum, or any entity relying on public funds, not be permitted to embark on large scale capital projects without the approval of Management Board.

## **Consultants**

The Committee recommends that Management Board consider the imposition of an interim period of one year between the termination of employment with a Ministry and eligibility to bid on a consulting contract with a Ministry.

The Committee recommends that the tender system for consultants' contracts be closely monitored with a view to insuring that tendered prices are adhered to.

The Committee supports the recommendations of the Provincial Auditor in section 50 of his Report that:

- 1) agreements be in a form approved by the Legal Services Branch, and a standard form of agreement be considered;
- 2) work to be done be detailed in the agreement and the terms of reference clearly defined;
- 3) agreements be completed before any of the contracted work has commenced;
- 4) a management committee conduct a quarterly review of extended engagement of consultants;



- 5) accumulation of service costs on a project basis be implemented for management consulting services;
- 6) coding of service costs be subject to more scrutiny to ensure that expenditures are properly and consistently allocated;
- 7) consultants' invoices be certified that services have been rendered and prices are in accordance with agreements before submission for payment.

#### **Ministry of Agriculture and Food**

The Committee supports the recommendation of the Auditor that non-arm's length transactions be strictly prohibited by the Ontario Food Terminal Board.

#### **Ministry of Colleges and Universities**

The Committee recommends that the Ministry's training programs be rationalized, not only internally, but in relation to other training programs available from provincial and federal governments and in the private sector.

The Committee recommends that guidelines setting the amount of funds which any client may receive per year be strictly followed.

#### **Ministry of Treasury and Economics**

The Committee recommends that the practice of artificially manipulating dates of deposit at year ends be discontinued.

#### **Auditing Procedures**

The Committee recommends that each Ministry, Agency, Board and Commission of Government establish an audit committee.

The Committee recommends that the Government require comprehensive auditing of all its Agencies, Boards and Commissions.

The Committee recommends that comprehensive auditing become a requirement for all bodies receiving public funds.

## APPENDIX A

### Standing Public Accounts Committee List of Witnesses and Topics, 1980 Hearings

#### Financial Affairs of the Royal Ontario Museum

Tuesday, February 26, 1980

Witnesses: Cruise, James E., Director  
Bristowe, Gordon, Assistant Director  
Graupner, Henry, Project Director  
Hermant, Sydney, Chairman of the Board of Trustees  
MacFeeters, R.L., Member, Board Finance Committee  
Wright, Dr. D.T., Deputy Minister, Ministry of Culture and  
Recreation

#### Financial Affairs of the Art Gallery of Ontario

Tuesday, February 26, 1980

Witnesses: Elliott, R.F., President, Board of Trustees, (AGO)  
Hopcraft, T., Controller  
Withrow, W.J., Director  
Anidjar, P., Representative, Ontario Public Service Employees  
Union  
Sarraf, M., Research Officer

#### Access to Public Opinion Polls

#### Operation of the Canadian House of Commons, Public Accounts Committee

Wednesday, February 27, 1980

Witnesses: Stewart, Dr. E. Deputy Minister, Office of the Premier  
Adams, E., Research Officer, House of Commons, Public Accounts  
Committee

Auditor's Report, Section 50: Use of Consultants, Ministry of Community and Social Services

The Employment History of Mr. Ralph Blakeman, Ministry of Community and Social Services

Wednesday, February 27, 1980

Witnesses: Norton, Hon. K., Q.C., Minister  
Carmen, R.D. Deputy Minister  
Barnes, P., Executive Director, Operations

Auditor's Report, Section 47: Overpayment to Terminated Employee, Ministry of the Attorney General

Auditor's Report, Section 48: Poor Control over Inventories of Furniture and Equipment, Ministry of the Attorney General

Auditor's Report, Section 89: Comments on the Funding of Community-Based Clinical Delivery Systems, Legal Aid Fund

Thursday, February 28, 1980

Witnesses: Carter, G., General Manager, Ministry of the Attorney-General  
Leal, H.A. Deputy Attorney-General  
McCourt, D.J., Deputy Director, Ontario Legal Aid Plan  
Mossman, M.J., Manager, Community Clinics, Ontario Legal Aid Plan

Disciplinary Procedures; performance evaluation

Thursday, March 27, 1980

Witnesses: Nagel, D., Senior Staff Relations Officer, Civil Service Commission  
Waldrum, G.H., Chairman, Civil Service Commission



Auditor's Report, Section 67: Observations Re Tourism Marketing Development  
Operations, Ministry of Industry and Tourism

Thursday, April 3, 1980

Witnesses: Gibson, T.H., Director, Tourism Marketing Branch  
Maxwell, J.O., Executive Director, Division of Tourism  
Wilson, L.R., Deputy Minister

Auditor's Report, Section 61: Cost Savings Recommended Re Ontario Drug  
Benefit Plan, Ministry of Health

Thursday, April 10, 1980

Witnesses: Berry, R.G., Director, Program Development Branch, Ministry of  
Health  
Burrows, A.R., Executive Co-ordinator, Ontario Drug Benefit Plan  
LeNeveu, R.A., Assistant Deputy Minister, Administration and  
Health Insurance  
McRae, M.V., Executive Co-ordinator, Drugs and Therapeutic  
Advisory Service  
Suttie, Dr. B., Assistant Deputy Minister, Community Health  
Services

Auditor's Report Section 64: Substantial Funding of Medical Clinic Questioned,  
Ministry of Health

Thursday, June 5, 1980

Witnesses: Berry, R.G., Program Manager, Health Service Organizations,  
Program Development Branch  
Timbrell, Hon. D., Minister  
Hiscock, Dr. R.J., St. Marys, Ont.  
Rachlis, Dr. M., South Riverdale Community Health Centre, Toronto

Auditor's Report Section 64: Substantial Funding of Medical Clinic Questioned,  
Ministry of Health

Thursday, October 16, 1980

Witnesses: Berry, R.G., Director, Program Development Branch

Auditor's Report Section 54: Detailed Review of Waste Recovery Program,  
Ministry of the Environment

Auditor's Report Section 55: Improved Reporting and Evaluation Procedures  
Recommended for Experience Program, Ministry of the Environment

Auditor's Report Section 56: Inadequate Rate Reviews for Water and Sewage  
Charges to Municipalities, Ministry of the Environment

Auditor's Report Section 58: Recommendations for Improvements in Branch  
Efficiency, Ministry of the Environment

Auditor's Report Section 59: Revenue from Licences, Ministry of the  
Environment

Thursday, April 17, 1980

Witnesses: Chisamore, G.C., Supervisor, Project Development Unit, Waste  
Management Branch

Higham, G.E., Executive Director, Finance and Administration

Pitura, L.F., Director, Waste Management Branch

Scott, G.W., Deputy Minister

Auditor's Report, Section 68: Comments on Hamilton-Wentworth Review  
Commission, Ministry of Intergovernmental Affairs

Auditor's Report, Section 69: Rationale for Grant Payments Queried, Ministry of  
Intergovernmental Affairs

Thursday, April 24, 1980

Witnesses: Fleming, E.M., Executive Director, Local Government Division  
Illingworth, R.A., Director, Provincial-Municipal Affairs Secretariat  
Trafford, A., Director, Municipal Budget and Accounts Branch, and  
Executive Secretary, Hamilton-Wentworth Review Commission

Auditor's Report, Section 74: Continuing Overdraft Position of Accountable Advance, Ministry of the Solicitor General

Auditor's Report, Section 75: Non-Recovery Costs of Policing Municipalities, Ministry of the Solicitor General

Thursday, May 1, 1980

Witnesses: Edwards, L.N., Director, Financial Services Branch  
Gow, F.L., Executive Director, Administration Division  
Hilton, J.D., Deputy Minister

Auditor's Report, Section 45: Current Relevance of Food Grants, Queri Ministry of Agriculture and Food

Auditor's Report, Section 46: Refinements Needed in Management by Results Process, Ministry of Agriculture and Food

Auditor's Report, Section 88: Review of Crop Insurance Program, The Crop Insurance Commission of Ontario

Auditor's Report, Section 92: Inaction Noted Re Recommended Closing of Branch Facility, Ontario Agricultural Museum

Auditor's Report, Section 94: Non-Routine and Non-Arm's Length Transactions, Ontario Food Terminal Board

Thursday, May 15, 1980

Witnesses: Aasman, H., General Manager, Ontario Food Terminal Board  
Collin, G.H., Executive Director, Production and Rural Development Division  
Ediger, H., General Manager, Crop Insurance Commission of Ontario  
Lantz, K.E., Deputy Minister  
Sewell, R., Executive Director, Finance and Administration Division  
Spencer, V.I.D., Director, Food Land Development Branch  
Williams, D.E., Chairman, Ontario Food Terminal Board

Auditor's Report, Section 72: Late Deposit and Recording of Taxation Revenue,  
Ministry of Revenue

Auditor's Report, Section 73: Observations Re Revenue Collected under the  
Provincial Land Tax Act, Ministry of Revenue

Thursday, May 22, 1980

Witnesses: Dick, A.R., Deputy Minister  
              Rowsell, D.W., Director, Motor Fuels and Tobacco Tax Branch  
              Russell, T.M., Deputy Minister  
              Weiers, P.J., Assistant Deputy Minister, Tax Revenue Branch

Auditor's Report, Section 49: Substantial Lack of Compliance with Guidelines  
and Other Matters Re Training in Business and Industry Program, Ministry of  
Colleges and Universities

Thursday, May 29, 1980

Witnesses: Adams, T.P., Assistant Deputy Minister, College Affairs and  
              Manpower Training Division  
              Ahrens, D.C., Manager, Program Delivery, Manpower Training  
              Branch

Land Assembly

Monday August 25, 1980

Witnesses: Dillon, R.M. Deputy Minister  
              McDonald, R.M., Vice Chairman and Chief Executive Officer,  
              Ontario Land Corporation



Land Assembly

Tuesday, August 26, 1980

Morning Sitting

Witnesses: Dillon, R.M. Deputy Minister  
McDonald, R.M., Vice Chairman and Chief Executive Officer,  
Ontario Land Corporation

Land Assembly

Tuesday, August 26, 1980

Afternoon Sitting

Witnesses: Dillon, R.M. Deputy Minister  
McDonald, R.M., Vice Chairman and Chief Executive Officer,  
Ontario Land Corporation

Land Assembly

Wednesday, August 27, 1980

Morning Sitting

Witnesses: McDonald, R.M., Vice Chairman and Chief Executive Officer,  
Ontario Land Corporation  
From the Ministry of Natural Resources  
Foster, W.T., Assistant Deputy Minister, Southern Ontario

Land Assembly

Wednesday, August 27, 1980

Afternoon Sitting

Witnesses: Dillon, R.M. Deputy Minister  
McDonald, R.M., Vice Chairman and Chief Executive Officer,  
Ontario Land Corporation

Land Assembly

Thursday, October 23, 1980

Witness:     White, J. former Treasurer of Ontario

## APPENDIX B



LEGISLATIVE ASSEMBLY

### PUBLIC ACCOUNTS COMMITTEE

### CALL TO GIVE EVIDENCE

TO

By virtue of the authority vested in the Public Accounts Committee under section 35 of The Legislative Assembly Act and under Standing Order 91 of the Assembly, and accordance with the Committee's intention to enquire into certain matters related to the expenditure of public funds, you are hereby called to appear before this Committee at the time, date and location indicated below, and at such future date(s) as the Committee may communicate to you, for the purpose of giving evidence related to the following matter(s) and to bring with you documents appropriate to the Committee's enquiry:

Date, Time and Location:

Dated at Toronto this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_

On behalf of  
THE PUBLIC ACCOUNTS COMMITTEE

T. PATRICK REID, M.P.P.  
Chairman









CA20N  
XC 21  
- P 71

Canada  
Publication



*Legislative Assembly*

# STANDING COMMITTEE on PUBLIC ACCOUNTS 1981 REPORT

DEPOSITORY LIBRARY MATERIAL



First Session, Thirty-Second Parliament  
30 Elizabeth II







LEGISLATIVE ASSEMBLY

The Honourable John M. Turner  
Speaker of the Legislative Assembly

Sir:

On behalf of the Members of the Standing Committee on Public Accounts, appointed by Order of the Assembly on April 24, 1981, I have the honour to submit the attached report.

Queen's Park  
December, 1981

A handwritten signature in dark ink, appearing to read "Patrick Reid".

Patrick Reid, M.P.P.  
Chairman



THE STANDING COMMITTEE ON PUBLIC ACCOUNTS  
LEGISLATIVE ASSEMBLY OF ONTARIO  
FIRST SESSION, THIRTY-SECOND PARLIAMENT

**Patrick Reid, M.P.P.**  
Rainy River  
Chairman

**David Peterson, M.P.P.**  
London Centre  
Vice-Chairman

**Don Cousens, M.P.P.**  
York Centre

**Edward Sargent, M.P.P.**  
Grey Bruce

**Eric Cunningham, M.P.P.**  
Wentworth North

**Margaret Scrivener, M.P.P.**  
St. David

**Jim Foulds, M.P.P.**  
Port Arthur

**James A. Taylor, Q.C., M.P.P.**  
Prince Edward-Lennox

**Ed Philip, M.P.P.**  
Etobicoke

**Osie Villeneuve, M.P.P.**  
Stormont, Dundas and Glengarry

**Jim Pollock, M.P.P.**  
Hastings-Peterborough

**Paul Yakabuski, M.P.P.**  
Renfrew

Graham White  
Clerk of the Committee

Margaret Vokes  
Research Officer  
Legislative Research Service





## TABLE OF CONTENTS

Introduction	1
Accountability and Responsibility	3
Ministry of Northern Affairs	
Northern Communities Assistance Program	6
Medical/Dental Bursaries	7
Ministry of Health	9
Liquor Licence Board of Ontario	15
Ministry of Government Services	18
Ministry of Culture and Recreation	19
Ministry of Energy	21
Centennial Centre of Science and Technology	23
Civil Service Commission	25
Internal Auditing	26
Computer Facilities	28
Appendix: List of Witnesses and Topics, 1981 Meetings	31
Summary of Recommendations	35



## INTRODUCTION

The Standing Committee on Public Accounts was appointed on April 24, 1981, in accordance with Standing Order 91 of the Legislative Assembly, with power to send for persons, papers and things, pursuant to section 35 of the Legislative Assembly Act.

At its organizational meeting held on May 7, 1981, Mr. Patrick Reid, the Member from Rainy River, was elected as Chairman of the Committee.

The Committee held 14 meetings on various matters commented upon in this report. Since most of the Members had never served on the Public Accounts Committee, several of the Committee's meetings were devoted to familiarizing Members with the financial and management procedures of the Government of Ontario and with the role and operation of the Office of the Provincial Auditor. The Committee extends its thanks to the staff of the Management Board Secretariat and to the Provincial Auditor and his staff for providing valuable briefings to the Committee.

In July, the Chairman and representatives of each political party attended the Third Annual Meeting of the Canadian Council of Public Accounts Committee Chairmen, which was held in St. Andrews, New Brunswick. This organization brings together Chairmen, Members and staff from Public Accounts Committees in all Canadian legislatures to exchange information and experiences on the shared goals of promoting economy, effectiveness and efficiency in government. At this meeting, the Chairman of the Ontario Public Accounts Committee, Mr. Reid, was elected President of the Council.

The report of the Canadian Comprehensive Auditing Foundation, "Improving Accountability: Canadian Public Accounts Committees and Legislative Auditors", has been received by all Members of the Committee. This report was discussed at the meetings in St. Andrews. In the next session, the Committee will review it in detail. The Committee wishes to express its appreciation to the Foundation for its contribution in this field.

The Committee is pleased to record its thanks to the public servants who appeared before the Committee for their willingness to provide information and for their assistance in helping the Committee fulfill its mandate. Responses have been received from all ministries and agencies to items raised in the Committee's 1980 Report.

Throughout its work, the Committee has been ably assisted by its staff. After two years as the Committee's Research Officer, Mrs. Martha Fletcher left the employ of the Assembly in June; the Committee wishes to reiterate the commendations of Mrs. Fletcher's work noted in earlier reports. The Committee is fortunate that Ms Margaret Vokes of the Research Service of the Legislative Library is maintaining the high quality of research assistance established by Mrs. Fletcher. The Committee is also pleased to record its appreciation of the work of its clerk, Dr. Graham White.

As always, the assistance and co-operation of the Auditor and his staff have contributed immeasurably to the Committee's work. This year, however, the Committee wishes to extend a very special tribute to Mr. F. Norman Scott who is retiring as Provincial Auditor at the end of the year. Mr. Scott has given many years of exemplary service to the people of Ontario and to the Members of the Legislative Assembly. As a servant of the Legislature, Mr. Scott has been extremely helpful to Members of all parties, and he has worked diligently and effectively to ensure that the money voted by the Assembly is spent with proper authority and due economy. Norm Scott has epitomized the dedicated public servant.



## ACCOUNTABILITY AND RESPONSIBILITY

This Committee, like its predecessor in the Thirty-First Parliament, has been concerned with fostering improved accountability and responsibility within the Ontario public service. To this end it has reviewed with officials of the Management Board Secretariat and the Ontario Civil Service Commission such topics as performance appraisal, employee discipline, merit pay, "red circling" and absenteeism. It was evident that the Committee's concerns in these areas are shared by the officials who testified before the Committee, and that some steps are being taken to improve matters. Yet the Committee remains of the opinion that problems of discipline, responsibility and absenteeism are not being adequately addressed throughout the public service.

Accordingly, the Committee plans a major review of grievance policy, disciplinary procedures and absenteeism in the next session.

In its 1980 Final Report, this Committee's predecessor made two very important recommendations designed to clarify and to assure accountability and responsibility of civil servants in a fashion similar to that proposed by the (Lambert) Royal Commission on Financial Management and Accountability in the Government of Canada.

First, the Committee recommended:

That the deputy minister as chief administrative officer account for his performance of specific delegated or assigned duties before the Legislative Committee responsible for the scrutiny of government expenditures, the Public Accounts Committee.

The Committee further recommended:

That public officials remain permanently accountable for their decisions while in a particular office.

In a letter to the Chairman of the Committee dated August 11, 1981, the Chairman of the Management Board of Cabinet set out the Government's response to these recommendations:

After careful consideration of these recommendations, I have the following comments:

I agree with the main thrust of the first recommendation provided it is the Committee's intention that the principle of ministerial accountability applies. I raise the subject of ministerial accountability since the Committee is in fact endorsing a recommendation of the "Lambert Commission" and Lambert can be interpreted to be questioning the principle of ministerial responsibility.

Within this principle, however, I agree with the Committee's current practice of requesting deputy ministers to appear and respond to inquiries respecting administration. Deputy ministers and all other public servants wish to fulfill their responsibility to the Legislature.

I believe that any request for a ministry to appear before the Committee should go to the deputy minister. Deputy ministers may choose to be accompanied by members of their staff who may participate in the committee hearings. However, it is the deputy minister who has responsibility for the operation of the ministry (subject, of course, to the direction of his minister), and who should, therefore, be the focal point for dealings with the Committee.

In respect to the Committee's second recommendation, I believe the Committee should be able to request the appearance of any officials whom they feel will help their inquiry, including officials who may have previously served in the area which is under the Committee's immediate review. I would emphasize again that all public servants wish to fulfill their responsibilities to the Legislature.

However, I believe that permanent accountability should not become a formal requirement of public service positions. In my view, it is simply beyond the capability of any person to recall and recount explicitly events which may have transpired many years ago.

The Committee is pleased with the thought and concern expressed in this response. While the Committee recognizes that it may be unfair or unrealistic to expect officials to recall details of decisions taken many years ago, it does believe it appropriate for civil servants to be answerable to the Committee for their actions within the recent past whether or not they occupy the same positions within the civil service. For example, deputy ministers may be re-assigned every two or three years. Hence, this Committee frequently encounters situations where those responsible for decisions made 18 to 24 months previously are no longer in the positions they held when making the decisions.

Finally, the Committee is pleased that the Management Board has, at the Committee's request, assigned one of its senior officers to monitor the Committee's activities and to serve as a formal liaison between the Committee and the Management Board, both of which are concerned with promoting economies in the management of government programs.

## MINISTRY OF NORTHERN AFFAIRS

### Northern Communities Assistance Program

Under the Northern Communities Assistance Program, financial assistance is provided for the construction of a variety of essential municipal services to communities that are financially unable to undertake these projects independently. As a result of a detailed review by the Auditor of the Community Priorities Activity of this program, reported in section 2.13 of the Provincial Auditor's Report for 1979-80, the Committee was concerned with the lack of clearly defined project objectives, an apparent lack of cost-benefit evaluations with respect to alternative courses of action, significant cost overruns, and premature cash flows resulting in substantial benefits accruing to municipalities.

The Ministry responded that steps were being taken to more precisely define project goals by the use of a project approval form that requires the scrutiny of a number of officials, ultimately including the Minister himself. A lack of documentation demonstrating that alternative courses of action are routinely and systematically evaluated, Ministry officials explained, led to the Auditor's conclusion that such a system for comparing alternatives was lacking. With respect to premature cash flows, the Ministry explained that at present whenever monies are paid in advance of expenditure needs, interest is accrued until the expenditure is made. The Committee's concern about recovery from those municipalities that had gained from the advance flows was answered that negotiations to this end are underway.

The Committee was especially concerned with instances of project costs exceeding the original estimates. The Ministry indicated the problem is a chronic one, caused by a number of factors, many of which cannot always be anticipated and are beyond Ministry control. With respect specifically to the issue raised by the Committee of a \$6 Million cost overrun on a project in Thunder Bay, the Ministry explained that the quality of the cost estimates had suffered because of the urgency on the part of the federal and provincial governments to undertake this project quickly in order to demonstrate that the general agreement for joint funding of this undertaking had substance. The



Ministry explained that this project was begun in 1974 under the administration of the Ministry of Treasury and Economics. The Ministry of Northern Affairs was created in 1977, and thus inherited some of the problems generated by a weakness in the preliminary estimates.

A related concern raised during the meeting was that local contractors were not involved in some of the projects, thus resulting in inflated project expenditures due to high mobilization costs. The Ministry admitted the validity of this observation.

### Recommendations:

The Ministry should take further steps to improve the estimating procedures for construction of municipal facilities under the Northern Communities Assistance Program.

The Ministry should ensure that, except in very unusual circumstances, the responsibility for payment of cost overruns on such projects lies with the local municipality.

### Medical/Dental Bursaries

In conjunction with the Ministry of Health's underserved areas program, medical and dental bursaries are awarded to ensure a continuing supply of these professionals in northern communities where underservicing is a chronic problem. An award of \$5,000 is made for each of two years in return for which the doctor or dentist serves in the underserved area for a period of two years.

At a meeting attended by Ministry of Northern Affairs and Ministry of Health officials, the Committee questioned the formal procedures for following up the discharge of the recipients' obligations. Formal follow-up procedures are in fact established, the Ministry explained, although they may not have been evident to the Auditor at the time of his review. Performance requirements, including repayment of funds for those who fail to remain the required length of time, the Committee was told, are monitored.

The Committee is satisfied with the improvements made by the Ministry in the follow-up procedures for the medical/dental bursaries in conjunction with the underserviced areas program of the Ministry of Health.

## MINISTRY OF HEALTH

The Committee heard testimony from Ministry of Health officials on matters relating to the St. Marys Clinic and to the Ministry's Health Service Organization (HSO) Program. This matter was initially raised in the Auditor's Report for 1978-79, Section 64 and was the subject of several Committee meetings in 1980. At the direction of the Committee, the Auditor undertook a review of the St. Marys Clinic and the HSO program. The Committee reported on this matter at length in its 1980 Report, but wished to follow-up on issues that were unclear or unresolved from the Ministry's response to the 1980 Report.

The Committee wishes to reiterate, in the strongest possible terms, the support it conveyed in its 1980 Report for the concept of HSOs. It is the administration of HSOs, not their basic purpose, which is the Committee's concern.

It is important that the cost-effectiveness of HSO program delivery be measured and that systems be in place to monitor the effectiveness of new programs before they are put in place. In short, the degree to which programs are fulfilling their objectives must be measured.

The Committee did not have sufficient time to review this matter during Committee meetings and, accordingly, directed the Chairman to write the Deputy Minister of Health in order to resolve the issues which remain outstanding.

Specifically, the Chairman requested responses to the following questions:

### Accuracy and Verification of the Roster

- (1) When exactly did the Ministry begin conducting verification sweeps on a random basis of one-third of the rosters of the St. Marys Clinic and other HSOs? When was this "address-capture" system established? When did it become operational?
- (2) When did the Ministry begin to consistently review chargeback information obtained from OHIP data and checked against HSO patient lists, and notify the HSO when roster patients were receiving medical services elsewhere, so that consideration could be given to the removal of those patients from the relevant Clinic's roster?

- (3) Have the rosters of all HSOs always been updated monthly? What method was and is now being used to update Clinic rosters? When was the St. Marys Clinic roster updated: since the Clinic's inception, or beginning September 1, 1980 when a new contract between the Ministry and the Clinic became effective?
- (4) Why was this procedure, which would seem to be a relatively simple and effective way of verifying HSO rosters, not implemented at the outset, or at least soon after the HSO Program was established?

#### Evaluation Programs and Monitoring the Cost-Effectiveness of HSOs

- (5) Why did a concrete system of program evaluation not exist at the time HSOs were initially established? Has one since been developed? If so, when did it become operational?
- (6) One of the recommendations of the 1976 Report of the Task Force on Evaluation of Primary Health Care Services, also known as the Spitzer Report, was that HSOs "be evaluated by the proposed Evaluation Unit immediately using the utilization and financial indicators designed and calculating accessibility indexes for each unit." The Report states that this project can be accomplished within six months. Why was this recommendation not followed within the time frame suggested?
- (7) Without a mechanism for evaluating the HSO Program, how can the cost-effectiveness of HSOs be accurately measured, and how are Ministry claims that health care costs are lower under the HSO system - that HSOs save the health care system money - substantiated?
- (8) Are rates of physician utilization acknowledged in calculations of the cost-effectiveness of HSOs? What factors are included in cost-effectiveness calculations? Have any statistics been gathered to date that indicate the number of patients HSO physicians see per day, compared with physicians practising under the fee-for-service system? If so, how do they compare?

#### Quality of Care

- (9) How is the Ministry currently monitoring specialist services to ensure specialists perform the majority of work for which the HSO is being paid?
- (10) Does the Ministry require HSOs to provide a minimum range of services in order to ensure that referrals to physicians outside of the HSO for services not provided in the contract, and for which the HSO would continue to receive capitation payments without penalty, are kept to a minimum? If so, what services are included in the minimum range?



### Physicians' Income

- (11) How do (did) the (a) gross incomes and (b) administrative costs of physicians within the St. Marys HSO and/or other HSOs compare with those of physicians practising in the fee-for-service system?

### Follow-up

- (12) The Auditor recommended a system of locking in members to the HSO in order to minimize patient attendance outside the HSO and avoid losing savings opportunities. The Ministry indicated it was exploring methods of enhancing patient loyalty through persuasion. Has any program which might encourage greater patient loyalty as yet been formulated?
- (13) The Auditor recommended that the Ministry should be given the authority to remove members from rosters when warranted. The Ministry expressed agreement in this regard, and indicated it was examining methods to implement this in a "fair and reasonable manner". Has any tangible progress been made toward this goal?

The following responses have been received from the Ministry:

### Accuracy and Verification of Roster

1. As an alternative to the Ministry of Health proposal for a one-third random verification sweep and the address capture systems, the Provincial Auditor recommended verification of specific groups. This procedure was adopted by the Ministry and implemented in June 1981.
2. The Ministry began to consistently review charge-back information in 1975. Since 1977, the charge-back system has included information on an individual's use of specific services outside the HSO. However, due to concerns of confidentiality, the Ministry received legal advice not to share this data with HSOs. This issue was resolved in 1980 and since that time this information has been provided to HSOs.
3. Since 1976, routine updates of HSO rosters have been undertaken on a monthly basis. The HSOs provide to the Ministry, on a monthly basis, data on enrolments, terminations, corrections and changes for roster members. In turn, the Ministry each month sends back to each HSO reports including these changes which assist the HSO in updating their rosters.

The St. Marys Clinic Roster has been updated monthly since 1976.

4. A system to verify rosters with respect to service use by individuals has existed since 1977. The information could not be shared with HSOs between 1977 and 1980 because of the concerns regarding confidentiality of patient information. Upon resolution of the confidentiality issue in 1980, HSO's have received this information.

### Program Evaluation and Cost Effectiveness

5. Many of the health agencies which became part of the HSO program, were established prior to the development of the HSO program. These clinics were sponsored by such sources as labour unions, the Department of National Health and Welfare, LIP grants, and the Addiction Research Foundation. These clinics were established to provide services to a variety of population groups and consequently had a variety of objectives, patients and services.

As each clinic's funding terminated, it turned to the Ontario Ministry of Health for continued financing.

In 1974, the Ministry began its efforts to consolidate these disparate projects into one comprehensive program.

Over the past several years, the Ministry has had the benefit of a number of evaluation studies involving individual HSOs and we are in the process of developing a practical comprehensive evaluation system.

6. The Ministry of Health attempted to implement the evaluation protocol proposed by Spitzer, but this has not been possible due to severe technical difficulties that have been encountered. These include:
  - . the proposed sample size of HSOs and comparable fee-for-service practice units has never been attained,
  - . requisite data bases either did not exist or were not available in the required format,
  - . indices on patient and physician satisfaction were proposed but the methodology for data collection needed to be developed in a way that was acceptable to physicians and patients.
7. The costing systems available to the Ministry show that savings are achieved when per capita costs for acute hospital and medical services used by HSO roster members, wherever provided, are compared to an equivalent per capita cost for patients seen on a fee-for-service basis.
 

For instance, in the last quarter of 1980, a comparison of total HSO program per capita costs (including medical and hospital) with provincial average per capita costs, indicated an expenditure of \$1.08 per person per month less than the Provincial average. When the provincial average medical costs and district average hospital figures were used, the comparison resulted in an amount of \$6.25 per person per month less for those served by HSOs.
8. Rates of physician utilization are not acknowledged in cost-effectiveness calculations. Those factors used in calculations include:

- . Roster members' use of all acute hospital and medical care services,
- . Provincial average per capita medical costs, provincial average per capita acute treatment hospital in-patient costs.

While at present the Ministry does not have sufficient information to compare the number of patients seen per day by the HSO physicians with fee-for-service physicians, the Ministry is investigating the feasibility of making such comparisons in the future.

#### Quality of Care

9. The Ministry currently ensures that the HSO has available specialist resources for those specialist services agreed to in the HSO contract. The Ministry, however, does not monitor the individual HSO physician's practice patterns to ensure that specialists within the HSO perform certain functions since it is a medical decision as to who should provide the service.

As well, the Ministry collects data on a monthly basis for the outside use of services provided by both general practitioners and specialists to roster members. This is done in order to ensure that HSOs provide all services as specified in their contract and that no capitation payment is made for that month if the patient receives any of the agreed upon services outside the HSO. The HSO, however, is required to provide additional services to these patients without reimbursement for the month.

10. The Ministry of Health does not specify the range of services that the physician may provide under either fee-for-service or HSO. The HSOs contract specifies that the services from general practitioners and agreed upon specialists will be made available.
11. Information on incomes was provided to the Committee at an earlier date, and is appended to this letter. Financial statements for 1980 and 1981 have not as yet been received from the HSOs.
12. Both the Ministry and individual HSOs have undertaken to explain to HSO roster members, the program, its concept and consequences of membership. A sample of such material is appended. Further, HSOs have implemented special health care programs specifically for HSO roster members. The benefit of having these programs available provides an advantage and incentive for greater patient loyalty.
13. The Ministry is developing a system to identify people receiving services only inside the HSO, those receiving services inside and outside, those receiving services only outside and those receiving no services in any specified period of time. The availability of this information will allow the Ministry of Health to introduce systematic criteria for considering roster termination in 1982.

Roster members when enrolling are advised of the possibility of removal from the roster.

The Committee is pleased that the Ministry is implementing a system of comprehensive evaluation. The Committee looks forward to monitoring the system.



## LIQUOR LICENCE BOARD OF ONTARIO

The Committee heard testimony from officials of the Liquor Licence Board of Ontario and the Minister of Consumer and Commercial Relations in regard to Section 3.7 of the Provincial Auditor's Report, 1979-80, relating to unauthorized and other questionable expenditures.

These expenditures, as noted by the Auditor in his Report, included the reimbursement of commuting expenses in the absence of an Order-in-Council authorizing such payment; the granting of a Board automobile to the executive director without authorization; excessive hospitality and meal expenditures; the lack of evidence of properly completed medical certificates for employees who were absent for extended periods; and certain anomalies relating to the use of automobiles, payments for the use of space in employees' homes, and payment for the services of a private lawyer during interviews between Board employees and the Ontario Provincial Police.

The steps taken since the occurrence of the documented irregularities to tighten regulations governing expenditures, and the issue of vesting accountability and responsibility in one person, were of particular concern to the Committee. It was explained that new policy demands that all expenditure requests be channelled through the Director of the Administration Branch, who ensures they comply with established rules and regulations. Extraordinary items are directed to the Chairman of the Board or the full Board for determination.

The Committee also expressed concern in regard to the lack of evidence of an apparent verbal agreement with the Chairman of the Liquor Licence Board at the time of his appointment which provided for his being reimbursed for commuting expenses. This amounted to a payment of \$2,500 between 1976 and the time of the Auditor's review. At the time this arrangement was made, no Order-in-Council existed authorizing reimbursement of the commuting expenses, although one was subsequently obtained in accordance with the Auditor's recommendation.

Another item of interest to the Committee was the decision of the Crown Employees' Grievance Settlement Board to order the reinstatement of two employees who had been found guilty of criminal offenses arising from their work at the Liquor Licence Board. These employees were ordered reinstated with full pay from the day they were taken into custody and subsequently suspended from duty. The other employees also found guilty of offenses who chose to retire, did so with full pension benefits. It was also learned that an appeal of the Grievance Board's decision had been lost.

The Committee also questioned the propriety of the Board hiring a private lawyer to advise various staff members during interviews conducted by the investigating officers in the Ontario Provincial Police in relation to the charges laid against the six Board employees. The lawyer's fees totalled approximately \$6,900. Officials stated that the Board was unaware that such counsel should have been retained through or in consultation with the Ministry of the Attorney-General, and that any subsequent retention of counsel will comply with the requirements of Section 50.8 of the Manual of Administration which provides:

1. Legal services required by ministries must be obtained through a mandatory central common service as defined in the policy on the establishment and use of common services (Ref. Manual of Administration, Vol. I, 45-10). Ministries may not make independent arrangements for legal services or to obtain legal counsel.
2. All requests for legal services shall be submitted to the Director, Common Legal Services Branch, Ministry of the Attorney General, who will determine whether such services should be supplied by Government legal officers seconded to the client ministry, by the Crown Law Office, Civil, or by a private sector lawyer.
3. Before a request for legal services may be met by seconding a Government Legal Officer from the Common Legal Services Branch, the client ministry with the support of the Ministry of the Attorney General, shall obtain Management Board authority to increase the Classified Structure Ceiling of the Ministry of the Attorney General and reduce its own by a corresponding amount. (Ref. Manual of Administration, Vol. I, 10-4).

Similarly, if a seconded Government Legal Officer is no longer required by a ministry, three months' notice must be given to the Director, Common Legal Services Branch and Management Board authority obtained before the Classified Structure Ceilings may be adjusted the other way.

Note: If sufficient notice is not provided to the Ministry of the Attorney General, the client ministry may be required to reimburse the Common Legal Services Branch for up to three months' salary and fringe benefits for the seconded Government Legal Officer.

4. When, in the opinion of the Director, Common Legal Services Branch, a request for legal services should be met by a private sector lawyer, written authorization to that effect shall be provided to the client ministry.

In situations where it is deemed impractical or unnecessary to obtain prior written approval each time a private sector lawyer is required, the Director, Common Legal Services Branch may provide a written waiver to the client ministry. The waiver must specify the terms and conditions under which it may be exercised.

Subject to the above conditions, ministries may engage the services of a private sector lawyer. All such arrangements shall be formalized by a written contract between the client ministry and the individual or firm providing the legal service. All relevant terms and conditions governing the transaction must be included in the contract.

#### Recommendations:

All arrangements for the salary, benefits and expenses for the Chairman of the Board should be clearly set out in writing. Full time Board personnel should be required to locate in the vicinity of their employment and, if not, commuting costs should be borne by the employee.

The Board should ensure that any outside counsel be retained in accordance with section 50.8 of the Manual of Administration.

The Committee is satisfied that the other matters raised in the Auditor's Report and reviewed by the Committee have been adequately addressed by the Chairman of the Board.



## MINISTRY OF GOVERNMENT SERVICES

Officials from the Central Collection Services of the Ministry of Government Services appeared before the Committee to answer questions in regard to Section 2.9 of the Auditor's Report on matters related to performance measurement and efficiency of the Central Collection Services Activity.

Of particular interest to the Committee was the \$15.3 Million of accounts receivable written off the accounts of the Province in 1979-80. It was explained that a good portion of the \$15.3 Million is not referred to the Central Collection agency of the Ministry of Government Services, since some Ministries themselves undertake collections of portions of their accounts receivable. The Deputy Minister testified that in the last fiscal year, \$739,035.75 remained uncollected by the Central Collection Services (CCS) out of a gross figure of \$6.3 Million.

The Committee also focused on the fact that, in most instances, no interest is charged on overdue accounts. It was explained that although some Ministries charge interest, there is no uniform policy throughout Government regarding either the charging of interest or the rate charged. Ministry officials indicated that the matter is under investigation. The Committee believes that by imposing such a penalty debtors might be more inclined to elevate the priority of repayment to the Government.

### Recommendations:

The Government should institute a uniform policy of charging interest on overdue accounts; the rate of interest should be set at a realistic level, and reviewed periodically.

The current Government policy, as set out in Accounting Policy Instruction 504.2, whereby overdue accounts are to be referred to the Central Collection Service after 90 days, should be rigorously followed. The Committee agrees with the Accounting Policy Statement 504 allowing certain exemptions from the general policy regarding referrals of overdue accounts to the Central Collection Service.



## MINISTRY OF CULTURE AND RECREATION

Officials from the Ministry of Culture and Recreation appeared before the Committee to answer questions arising from Section 2.6 of the Auditor's Report regarding administrative improvements with respect to Wintario grants.

The following items were noted by the Auditor in regard to the calculation and administration of Wintario grants:

- Instances where grant recipients had not complied with the requirement that fund-raising campaign expenses be deducted from gross receipts. Since only the net proceeds are matched by Wintario, this deduction is of great importance in calculating the amount of the grant.
- Cases where the Ministry branch responsible for grant payment failed to contact either the grant recipient or the relevant governmental agency to confirm the actual amounts of other grants.
- Indications that projects not considered to be financially viable were still funded by Wintario as long as all other criteria were met.
- Approvals for projects in which comparative appraisals of donated land and buildings were not obtained. Since donated lands and buildings are eligible as private support for a project, accurate valuation is important.
- Instances where significant donations were not adequately documented.
- Cases where profit-oriented organizations, which are not normally eligible for grants, were incorporated as non-profit and thereby became eligible for grants.

- Indications that grant applicants were not required by the Ministry to obtain tenders from several contractors for construction or renovation, or to award contracts on the basis of the lowest tender.
- The lack of routine follow-up procedures after projects are operational to ensure that Wintario-supported projects comply with the grant criteria.

All of these items were reviewed by the Committee; Ministry officials described the program changes which have been instituted to comply with the Auditor's recommendations.

Item 3 in the Report was of major concern to the Committee. This dealt with Wintario's "non-dependency" principle which states that projects funded by Wintario must demonstrate the existence of support for any operating costs from sources other than Wintario. The Auditor discovered during his review that even projects not considered to be financially viable were still funded as long as all other criteria were met, which ultimately might result in further funding from the province to cover operating costs.

Ministry officials described the measures that have been taken to ensure the viability of projects and more strictly comply with the non-dependency principle. The various methods employed to obtain guarantees of operating support before projects are undertaken were outlined to the Committee.

The Committee is satisfied that the Ministry has responded adequately to the matter raised in the Auditor's Report regarding improvements in the administration of Wintario grants.

## MINISTRY OF ENERGY

Officials from the Ministry of Energy addressed various issues arising from Section 2.7 of the Auditor's Report regarding management and delivery of the Energy Conservation Program.

Ministry officials explained the various difficulties inherent in the operational make-up of the Ministry of Energy. It was explained that the Ministry of Energy is responsible for policy development, research and project planning, but depends on other Ministries for direct program delivery. To further complicate matters, these Ministries are in turn dependent on other Ministries and operations. This makes project control, monitoring and review more difficult than in conventional "line" Ministries.

Ministry officials further explained that the Ministry of Energy wishes to avoid direct program delivery, which would require a greater staff commitment and the establishment of regional offices. Rather, it aims to build good energy practices into existing systems in Ministries and their client groups, and thus considers it desirable to work through other Ministries, and toward greater decentralized auditing of programs.

It was also stated that often the internal audit branches of those Ministries responsible for program delivery are unable to provide absolute assurances that they can deliver an audit on each of the programs in the manner suggested by the Provincial Auditor. The Deputy Minister maintained that the internal audit of the Ministry responsible for program delivery should be charged with reviewing the actual program delivery.

Ministry officials also indicated the need for Management by Results (MBR) reporting by Ministries that are delivering programs, of their progress in order to gauge performance and improve the process by which general conclusions can be extrapolated.

In regard to some of the management problems the Ministry has experienced, as noted by the Auditor, Ministry officials described some of the changes that have occurred recently, including the formulation of management training and development courses. Ministry officials also explained the need for additional assistance in the areas of planning and administration. It was explained that the Ministry lacked senior members in program administration, finance and personnel, and was unsuccessful in its last overture to the Management Board in this regard.

The Committee agrees with the Provincial Auditor's observation, as noted in his Report, that some insulation and energy conservation programs conducted by the Federal Government closely resemble, if not duplicate, those of the Government of Ontario, although Ministry officials said that there were significant differences.

Recommendation:

The Government should take all possible steps to eliminate overlapping between the mandate of the Ministry of Energy and the activities of other ministries and also to eliminate any duplication of effort between the Ministry and the Government of Canada.



## CENTENNIAL CENTRE OF SCIENCE AND TECHNOLOGY

Officials from the Centennial Centre of Science and Technology appeared before the Committee and answered questions stemming from Section 3.5 of the Auditor's Report concerning an apparent conflict of interest in the awarding of a contract to operate a science shop concession.

Committee interest focused on the actual involvement of the employees of the Science Centre, who were eventually awarded the science shop contract, in the research that formed the basis for the tendering and operation of the store. Science Centre officials maintained that the information obtained by the employees during the course of their research had not given them any advantage over others bidding on the tender.

When asked if the involvement of the employees in the research that formed the basis for the tendering operation was made known to the legal authorities who were contacted for an opinion both before and after the employees tendered, Science Centre officials admitted that with the benefit of hindsight, they may have failed to supply all pertinent information. They maintained that the important factor was that the employees had notified the Deputy Minister of their intentions, in accordance with Section 33 of Regulation 605/73 made under The Public Service Act. According to the officials, it was of little importance that the pertinent information was not given to those whose legal opinion was sought, and that the tendering committee may have been unaware of the research undertaken by the employees.

The question as to whether the employees were in fact in violation of Section 33 of The Public Service Act was of concern to the Committee. As noted in the Auditor's Report, the Director of Legal Services, Ministry of Culture and Recreation, was of the opinion that the employees were in a conflict of interest position which could have been avoided only if they had left their employment with the Centre when they indicated their intention to tender. Science Centre officials emphasized that whenever a possible conflict of interest exists, the employee is responsible for seeking the advice of the Deputy Minister and abiding by the advice given. In this case, no advice was forthcoming, and the tendering process continued.

Officials described the measures that have been taken to avoid potential problems in the future. These include improvements in the tender form, the formulation of details as to the tendering operation and of information relating to public regulations. A Science Centre official agreed that information outlining the seriousness of Section 33 of The Public Service Act should be included in the documentation distributed to staff members.

The Committee welcomes these measures, yet remains of the view that the management of the Science Centre has not treated this matter with the gravity it warrants.

Recommendation:

The Committee is concerned that conflict of interest is not being regarded with due attention in government agencies and therefore endorses the recommendation of the Fourth Report of the Standing Committee on Procedural Affairs on Agencies, Boards and Commissions:

That the Chairman of the Management Board of Cabinet introduce during the 32nd Parliament legislation establishing rules governing conflict of interest with respect to all agencies, boards and commissions of the Government of Ontario.

## CIVIL SERVICE COMMISSION

Officials of the Commission appeared before the Committee to discuss matters related to performance appraisals, merit increases, disciplinary measures and absenteeism in the civil service.

Of particular concern to the Committee was the fact that performance appraisals are not always submitted in written form. It was explained that once an employee's performance has been identified as unsatisfactory, it is mandatory that appraisals be written, but the policy is not stringently applied with respect to employees performing satisfactorily.

### Recommendations:

All performance appraisals for Government employees should be done in writing and appended to the employees' personnel files.

The Commission should conduct a thorough review of the problem of absenteeism in the civil service, and then institute changes appropriate to reduce absenteeism.

## INTERNAL AUDITING

Representatives of the Management Board of Cabinet and the Ontario Public Service Internal Auditors' Council testified on matters relating to internal audit operations in the Government of Ontario.

The objectives, findings and recommendations of the 1980 Report of the Task Force on Audit Policy and the progress made in implementing the recommendations of both the task force and the Provincial Auditor, as outlined in Chapter 4 of his Report, 1979-80, were described to the Committee. The Committee was informed of the measures that have been taken by the Management Board to define and publicize what internal audit is, why it is needed, what constitutes a satisfactory internal audit, and to provide support and guidance to internal auditing operations within Ministries.

The Committee was particularly interested in the Electronic Data Processing (EDP) audit standards that have recently been developed by the Internal Auditors' Council. A Council official described some of the measures being taken to upgrade the EDP auditing function. The shortage of qualified EDP officers and the difficulty in attracting them from the private sector to perform audit functions was emphasized, as was the need for more people with solid management background to be involved in internal audit.

In order to ensure that auditing within Government is carried out economically and without duplication, the Office of the Provincial Auditor, whenever possible, endeavours to rely on the overall internal audit process within ministries and agencies. This reliance results from a review of both the overall process and the detailed working papers and reports of the various internal audit branches.

In this connection, the Committee supports the recommendations contained in the December 1980 Report of the Task Force on Audit Policy, and endorses the efforts that have been made to upgrade internal audit operations in the Government of Ontario. The Committee also recognizes the tangible advances made thus far.



The Committee believes, however, that further improvements might be made, and that certain extensions of the internal audit process are warranted.

The Committee therefore recommends:

Management Board continue to assist in and monitor the implementation of the recommendations made in the Task Force Report, in particular recommendation 5, which states:

the director of the internal audit function should report to the deputy minister or to another senior executive who reports directly to the deputy minister. In the latter situation, the director should have ready access to the deputy minister.

The Committee recognizes that it is not the function of an internal auditor to conduct performance appraisals. This is the responsibility of managers. However, in the future internal audit reports might be used as tools in performance appraisals.

The process of internal auditing should be applied more fully to transfer payments, and, wherever practical, standards should be set for the internal audit of such payments.

## COMPUTER FACILITIES

The Committee intends to mount an intensive review in the next session of computer facilities and services within the Government of Ontario. Both the staff within Management Board and the Provincial Auditor will play key roles in evaluating with the Committee what is taking place in computer technologies and services.

The Management Board Technology Branch within the Management Board Secretariat would give the Committee an overview on the use of technology within the Ontario Government. Such presentations would point up the initiatives that are currently underway, and the strategic directions that are being taken by Management Board.

The Auditor would, through his analysis, respond to the concerns outlined below.

Computerization is growing rapidly, in both industry and Government Ministries. As this growth takes place and new technology becomes available, management must continue to maintain proper controls.

Though the Ontario Government is already utilizing proven and recognized systems disciplines, the Committee will investigate the checks and balances of these complex technologies as the review proceeds. The Committee will direct its attention to the control of data and systems and on the return of investment for hardware, for software and for personnel resources in order that the Committee might know that the Government is obtaining good value for expenditure in these areas. The Committee in no way intends to suppress future development of computerization. Nonetheless, it is incumbent upon the Public Accounts Committee to appreciate more fully what is taking place within Electronic Data Processing in the Ontario Government. As Jean-Jacques Servan-Schreiber states in his book, "The World Challenge":

"In the years immediately ahead, computerization will spread more rapidly than electricity did at the beginning of the century.

It will expand in the fields of creative activity as quickly as it does in daily work and leisure. Powerful, flexible and inexpensive microcomputers, adaptable to all functions, will become as indispensable, as omnipresent and as much a part of our lives as the air in which we live and breathe."

The Committee intends to pursue three topics:

1. Project Evaluation

By having the Auditor investigate computer conversion projects still in process, the Committee will be able to see whether or not good project planning and control is being carried on within the Government of Ontario. Any computer conversion from manual systems or from older "batch" operations to newer "on-line" systems requires excellent management control. This would include proper evaluation by feasibility study and adequate systems development methodology that should be employed to ensure resource control, i.e. of time and money, in addition to the controlled conversion to the new system. Otherwise we can expect excessive expenditures for personnel costs and equipment. Surprises can arise in a computer conversion. For example:

- the definition of the problem may be incomplete or may have to be revised;
- technical problems may arise that cannot always be prevented;
- there may be delays in delivery of hardware or software; or a number of other legitimate or unfortunate problems may cause delays in a project. Such delays may be compounded with staff turnover or if there are changes in management philosophy.

2. Control of Information

With the proliferation of mini and micro computers and with such systems not being linked to the central computer system, there are a number of questions that should be addressed.

When individual ministries are allowed to purchase free-standing small systems with no communications linkage to the large "main frames" (i.e. central computers) a number of problems can develop which would not occur if the D.S.A. (Distributed Systems Architecture) approach or D.D.P. (Distributed Data Processing) were used. Notwithstanding the justification for certain free-standing computer systems, there are a number of problems that can develop with a non-D.S.A. approach.

- Lack of centralized control of information: is the data on free-standing systems best kept separately from the large centralized data base? Will extra costs be expended to duplicate data?
- Are some of the small isolated systems being allowed to grow, thus duplicating systems and services and staff available elsewhere?

### 3. Ratio of Internal vs External Processing Work

The Federal Government has a policy of utilizing outside data processing service bureaus, for the purchase of both computer time and services when internal E.D.P. costs are within 25 per cent of outside quotations. What is the situation in the Ontario Government? How do we know whether the costs for E.D.P. in the Ontario Government are competitive with the open marketplace?

Accordingly, the Committee recommends:

That Management Board Secretariat be invited to present to the Public Accounts Committee the initiatives and directions that are being taken by the Ontario Government in Management Information Systems and related technologies.

That the Auditor should select two large and two small ministries (based on their data processing budgets) for the purpose of reviewing the concerns noted above and should report back to the Committee with his findings.



## APPENDIX

### List of Witnesses and Topics, 1981 Meetings

#### May 14

The estimates and budgetary process of the Government of Ontario; the role of the Management Board of Cabinet:-

##### Management Board Secretariat

Mr. J. W. Keenan, Assistant Secretary

Mr. Paul Gelinas, Director,  
Expenditure Policy and Divisional Services Branch

The role and function of the Office of the Provincial Auditor:-

##### Office of the Provincial Auditor

Mr. F. N. Scott, Provincial Auditor

Mr. Ken Leishman, Director,  
Reporting and Standards Branch

#### May 28

Section 2.13, Provincial Auditor's Report, "Observations Re: Community Priorities Project, Ministry of Northern Affairs";

Section 2.14, Provincial Auditor's Report, "Inadequate Follow-up Procedures Re: Bursaries, Ministry of Northern Affairs":-

##### Ministry of Northern Affairs

Mr. A. J. Herridge, Deputy Minister

Mr. Dennis Tieman, Executive Director  
Planning and Administrative Division

##### Ministry of Health

Dr. W. J. Copeman, Underserved Areas Program,  
Program Advisory Branch

Dr. K. Kawaii, Senior Consultant,  
Public Health Branch

Mrs. O. Smits, Accountable and Collections Supervisor,  
Central Branch

**June 4**

Follow-up to recommendations of Committee's 1980 Final Report regarding St. Marys Clinic and Health Service Organization Program, Ministry of Health:-

Ministry of Health

Mr. Tom Campbell, Deputy Minister  
 Dr. B. Suttie, Assistant Deputy Minister,  
 Community Health Services  
 Mr. R. G. Berry, Director,  
 Program Development Branch

**June 11**

Section 3.7, Provincial Auditor's Report, "Unauthorized and Other Questionable Expenditures, Liquor Licence Board":-

Hon. Gordon Walker, Q.C., M.P.P.,  
 Minister of Consumer and Commercial Relations

Liquor Licence Board of Ontario

Mr. Willis Blair, Chairman  
 Mr. Paul Boukouris, Director,  
 Administration Branch

**June 18**

Section 2.9, Provincial Auditor's Report, "Matters Related to Performance Measurement and Efficiency of the Central Collection Services Activity, Ministry of Government Services":-

Ministry of Government Services

Mr. John Thatcher, Deputy Minister  
 Mr. J. Silver, Executive Director,  
 Administrative Division  
 Mr. R. Cardwell, Manager,  
 Central Collection Services

Section 2.6, Provincial Auditor's Report, "Administrative Improvement Recommended Re: Wintario Grants, Ministry of Culture and Recreation":-

Ministry of Culture and Recreation

Mr. Ward Cornell, Deputy Minister  
 Mr. B. F. Webber, Executive Director,  
 Finance and Administrative Division  
 Mr. M. Noon, Manager,  
 Capital Support Unit

## October 15

Section 2.7, Provincial Auditor's Report, "Comments on Management and Delivery of Energy Conservation Program, Ministry of Energy":-

### Ministry of Energy

Mr. Glenn Thompson, Deputy Minister  
 Mr. Malcolm Rowan, President,  
 Ontario Energy Corporation  
 Mr. Douglas Carl, Manager,  
 Energy Conservation Program

## October 22

Section 3.5, Provincial Auditor's Report, "Apparent Conflict of Interest, The Centennial Centre of Science and Technology":-

### The Centennial Centre of Science and Technology

Mr. Leonard Reilly, Chairman  
 Dr. Tuzo Wilson, Director General  
 Mr. G. R. Gillman, Controller

## October 29

Grievance procedure, performance appraisal, disciplinary procedures, absenteeism and related matters:-

### Civil Service Commission of Ontario

Mr. George Waldrum, Chairman  
 Mr. John Jackson, Executive Director,  
 Compensation Division  
 Mr. Jim Hansen, Executive Secretary,  
 Senior Appointments and Compensation Division  
 Mr. J. R. Scott, Executive Director,  
 Staff Relations Division

**November 5**

Chapter 4, Provincial Auditor's Report, "Comments on Internal Audit Operations":-

Management Board Secretariat

Mr. Robert Butler, Secretary  
Mr. Jim Keenan, Assistant Secretary  
Mr. Alan Rae, Management Standards Project

Ontario Public Service Internal Auditors' Council

Mr. Ron Littleford, Chairman

**November 19**

Research services to legislative committees:-

Legislative Library, Research and Information Services

Mr. Brian Land, Director  
Dr. Linda Grayson, Chief,  
Legislative Research Service



## SUMMARY OF RECOMMENDATIONS

- The Ministry should take further steps to improve the estimating procedures for construction of municipal facilities under the Northern Communities Assistance Program. (page 7)
- The Ministry should ensure that, except in very unusual circumstances, the responsibility for payment of cost overruns on such projects lie with the local municipality. (page 7)
- All arrangements for the salary, benefits and expenses for the Chairman of the Board should be clearly set out in writing. Full time Board personnel should be required to locate in the vicinity of their employment and, if not, commuting costs should be borne by the employee. (page 17)
- The Board should ensure that any outside counsel be retained in accordance with section 50.8 of the Manual of Administration. (page 17)
- The Government should institute a uniform policy of charging interest on overdue accounts; the rate of interest should be set at a realistic level, and reviewed periodically. (page 18)
- The current Government policy, as set out in Accounting Policy Instruction 504.2, whereby overdue accounts are to be referred to the Central Collection Service after 90 days, should be rigorously followed. The Committee agrees with the Accounting Policy Statement 504 allowing certain exemptions from the general policy regarding referrals of overdue accounts to the Central Collection Service. (page 18)
- The Government should take all possible steps to eliminate overlapping between the mandate of the Ministry of Energy and the activities of other ministries and also to eliminate any duplication of effort between the Ministry and the Government of Canada. (page 22)
- The Committee is concerned that of conflict of interest is not being regarded with due attention in government agencies and therefore endorses the recommendation of the Fourth Report of the Standing Committee on Procedural Affairs on Agencies, Boards and Commissions: (page 24)

That the Chairman of the Management Board of Cabinet introduce during the 32nd Parliament legislation establishing rules governing conflict of interest with respect to all agencies, boards and commissions of the Government of Ontario.

- All performance appraisals for Government employees should be done in writing and appended to the employees' personnel files. (page 25)
- The Commission should conduct a thorough review of the problem of absenteeism in the civil service, and then institute changes appropriate to reduce absenteeism. (page 25)
- Management Board continue to assist in and monitor the implementation of the recommendations made in the Task Force Report, in particular recommendation 5, which states:

the director of the internal audit function should report to the deputy minister or to another senior executive who reports directly to the deputy minister. In the latter situation, the director should have ready access to the deputy minister. (page 27)

- The Committee recognizes that it is not the function of an internal auditor to conduct performance appraisals. This is the responsibility of managers. However, in the future internal audit reports might be used as tools in performance appraisals. (page 27)
- The process of internal auditing should be applied more fully to transfer payments, and, wherever practical, standards should be set for the internal audit of such payments. (page 27)
- That Management Board Secretariat be invited to present to the Public Accounts Committee the initiatives and directions that are being taken by the Ontario Government in Management Information Systems and related technologies. (page 30)
- That the Auditor should select two large and two small ministries (based on their data processing budgets) for the purpose of reviewing the concerns noted above and should report back to the Committee with his findings. (page 30)



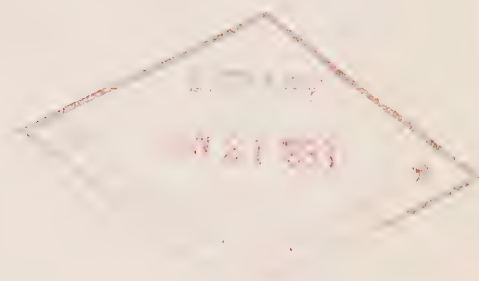




CA24N  
Xc21  
- p71



# **STANDING COMMITTEE on PUBLIC ACCOUNTS 1982 REPORT**



Second Session, Thirty-Second Parliament  
31 Elizabeth II





Ontario

LEGISLATIVE ASSEMBLY  
ASSEMBLEE LEGISLATIVE

The Honourable John M. Turner  
Speaker of the Legislative Assembly

Sir:

On behalf of the Members of the Standing Committee on Public Accounts, appointed by Order of the Assembly on April 24, 1981, I have the honour to submit the attached report.

Queen's Park  
December, 1982

A handwritten signature in dark ink, appearing to read "Patrick Reid".

Patrick Reid, M.P.P.,  
Chairman





THE STANDING COMMITTEE ON PUBLIC ACCOUNTS  
LEGISLATIVE ASSEMBLY OF ONTARIO  
SECOND SESSION, THIRTY-SECOND PARLIAMENT, 1982

Patrick Reid, M.P.P.  
Rainy River  
Chairman

Al Kolyn, M.P.P.  
Lakeshore  
Vice-Chairman

Jim Bradley, M.P.P.  
St. Catharines

Edward Sargent, M.P.P.  
Grey-Bruce

Eric Cunningham, M.P.P.  
Wentworth North

Margaret Scrivener, M.P.P.  
St. David

Edward Havrot, M.P.P.  
Timiskaming

James A. Taylor, Q.C., M.P.P.  
Prince Edward-Lennox

R. Douglas Kennedy, M.P.P.  
Mississauga South

Bud Wildman, M.P.P.  
Algoma

Ed Philip, M.P.P.  
Etobicoke

Paul Yakabuski, M.P.P.  
Renfrew South

Graham White  
Clerk of the Committee

James O'Mara  
and  
Margaret Vokes  
Research Officers  
Legislative Research Service



## TABLE OF CONTENTS

INTRODUCTION. . . . .	1
-----------------------	---

### MINISTRY OPERATIONS

Ministry of the Attorney General . . . . .	3
Recommendation 1 . . . . .	4
Ministry of Consumer and Commercial Relations. . . . .	5
Committee Comment . . . . .	6
Ministry of Energy . . . . .	7
Recommendations 2, 3, 4, and 5 . . . . .	9
Ministry of Health. . . . .	12
Committee Comment . . . . .	14
Ministry of Labour . . . . .	15
Recommendations 6 and 7 . . . . .	17
Ministry of Revenue. . . . .	18
Recommendation 8 . . . . .	19
Provincial Secretariat for Social Development . . . . .	20
Recommendations 9 and 10 . . . . .	21
Ministry of Transportation and Communications. . . . .	22
Committee Comment . . . . .	24

### CROWN AGENCY OPERATIONS

Liquor Control Board of Ontario. . . . .	25
Recommendation 11 . . . . .	26
Liquor Licence Board of Ontario . . . . .	27
Recommendation 12 . . . . .	30
Ontario Junior Farmer Establishment Loan Corporation . . . . .	31
Ontario Northland Transportation Commission: Star Transfer Limited . . . . .	33
Urban Transportation Development Corporation. . . . .	35
Committee Comment . . . . .	36

## TABLE OF CONTENTS cont'd.

### SPECIAL REVIEWS

Computers in Government. . . . .	37
Committee Comment . . . . .	40
Ministry of Energy . . . . .	40
Recommendation 13. . . . .	41
Ministry of Government Services . . . . .	42
Recommendation 14. . . . .	43
Government Advertising . . . . .	44
Recommendation 15 . . . . .	45
Grievance Boards . . . . .	46
Recommendation 16 . . . . .	48
Ontario Hydro . . . . .	49
Transfer Payments . . . . .	51
Committee Comment. . . . .	55
Estimates Review . . . . .	56

### COMMITTEE PROCEDURES AND OPERATIONS

Canadian Comprehensive Auditing Foundation . . . . .	58
Motion re: Hornepayne Hallmark Town Centre . . . . .	61

### DISSENTING OPINION

Respecting Transfer Payments and Government Advertising . . . . .	62
--	----

SUMMARY OF RECOMMENDATIONS . . . . .	65
--------------------------------------	----

### APPENDIX 1:

#### MINUTES



## Introduction

The Standing Committee on Public Accounts was appointed on April 24, 1981, in accordance with Standing Order 91, with the power to send for persons, papers and things, pursuant to Section 35 of the Legislative Assembly Act. Under the Standing Orders, the Committee is appointed for the life of the Parliament.

During 1982, the Committee held 25 meetings on the various matters outlined in this report. Most of these matters were raised in the Provincial Auditor's report, but several involved Committee concerns about items of spending detailed in The Public Accounts.

In July, the Chairman and representatives of each political party attended the Fourth Annual Meeting of the Canadian Council of Public Accounts Committees. This organization brings together Chairmen, Members, and staff from Public Accounts Committees from all Canadian Legislatures to exchange information and experiences about common goals and problems. At the meeting, the Chairman of the Ontario Public Accounts Committee, Mr. Reid, was re-elected as President of the Council, and Dr. White, clerk of the Ontario Committee, was appointed Secretary of the Council. The Council's next meeting will be held in Toronto, from July 11 to 13, 1983.

The Chairman attended the Annual Meeting of the Canadian Comprehensive Auditing Foundation, October 3-5, 1982.

The assistance and co-operation of the Provincial Auditor and his staff have, as always, contributed immeasurably to the Committee's work. The new Provincial Auditor, Mr. Douglas Archer, who assumed his

duties in January, 1982, is maintaining the high standards of service to the public and to the Committee of his predecessor, Mr. F. Norman Scott.

Similarly, the Committee has been well served by its staff. Ms. Margaret Vokes, the Committee's research officer, left the Assembly's employ in September and Dr. James O'Mara of the Legislative Library's Research Service was appointed in her place. The work of both researchers has been first-rate. The Committee would also like to commend its clerk, Dr. Graham White, for his fine service on the Committee's behalf.

As in past reports, the Committee is pleased to record its thanks to the public servants who appeared before the Committee, for their willingness to provide information, and for their assistance in helping the Committee fulfill its mandate. Responses to items raised in the Committee's 1981 report have been received from all ministries and agencies.

The Committee has examined a large number of items and for some it has recommendations or comments. In other cases, the Committee felt that it was appropriate to make no proposals. Matters requiring no recommendation or comment are included in this report for purposes of information only.

In several instances in this report, it will be noted, that the Committee went out of its way, not only to indicate that it was satisfied by ministry responses to particular matters, but also to commend ministries for taking prompt and effective action. This reflects the Committee's view that if it criticizes government officials who are not meeting high standards of administration, it should also praise public servants who demonstrate serious concern for economy and effectiveness in matters raised by the Auditor and by the Committee.

## MINISTRY OPERATIONS

Ministry of the Attorney General

Officials of the Ministry of the Attorney General appeared before the Committee to discuss issues raised in Section 2.3 of the Auditor's Report regarding limousine services for Supreme Court judges. Charges totalling approximately \$104,000 were incurred in transporting judges to and from their residences and the Court House. No specific authority existed for the payment of limousine services for judges discharging their normal duties.

Ministry officials explained that the principal rationale for providing this service is security for the judges. Other reasons were also cited, however. These included renovations at Osgoode Hall which eliminated judges' parking, the average age of judges (over 60), and reasons of convenience.

Ministry officials acknowledged that no specific authority for the expenditure existed. It was derived out of the direct operating expenses for the Supreme Court. When questioned as to whether the Ministry intends to obtain a specific authority, officials indicated they disagreed with the Auditor that such authority is required. They stated that obtaining specific authority could lead to problems. According to Ministry officials, a regulation or legislation specifically providing for this service could lead to the Ministry being obliged to provide it to all judges in courts throughout Ontario, which in many cases would be unnecessary and expensive in a time of restraint.

Ministry officials stated that unless the Auditor could convince the Ministry that such authority is required, no action would be taken to obtain it. Officials suggested that perhaps it was a matter requiring consultation with the Auditor.



Recommendation:

1. The Committee recommends that the Ministry of the Attorney-General should seek specific authority for the payment of limousine services for Supreme Court judges.

Ministry of Consumer and Commercial Relations

The Deputy Minister and other officials of the Ministry appeared before the Committee to discuss issues raised in Section 2.9 of the Auditor's Report. Section 2.9 concluded that there were deficiencies in the reporting system of the Lotteries Branch, with the result that established policies, procedures, and legislation were not being followed. The Auditor noted, specifically, that the deficiencies meant non-compliance with two Orders-in-Council, No. 416/77 and No. 2546/77. These Orders stipulate that monies expended for the operation of lotteries, with the exception of bingo lotteries when the prize is less than \$750, should be no more than 15 percent of gross receipts and that no less than 20 percent of gross receipts should be used for charitable purposes. The Auditor discovered that 52 of 54 licenced bingo events failed to meet one or both of the conditions set out in the Orders-in-Council.

The Auditor noted that the Report for fiscal year 1977/78 had also dealt with issues related to non-compliance with Orders-in-Council by the Lotteries Branch. The Public Accounts Committee examined the matter then at its meeting of February 19, 1979, and it recommended that if current conditions were found to be unworkable, new workable rules for lotteries should be formulated.

In a written statement to the Auditor, Ministry officials said that every effort had been made to encourage bingo operators to improve their operations and maintain acceptable standards. To Members of the Committee, officials also said that there had been some improvements in the allocation of bingo lottery monies for expenses, prizes, and charitable purposes since 1978. But the officials acknowledged that there are conflicting pressures on the

Ministry. One is the desire to comply with the 1977 Orders-in-Council. The other is to deal flexibly with charitable organizations which have limited capacity to cope with extensive administrative procedures.

Officials noted that Order-in-Council No. 416/77, as amended by Order-in-Council No. 2546/77, was amended by Order-in-Council No. 2797/82 on October 28, 1982. The most recent amendment, No. 2797/82, permits the Director of the Lotteries Branch to exercise some discretion for particular lottery events by varying the percentages of monies allocated to expenses, prizes, and charitable purposes. Order-in-Council No. 2797/82, Ministry officials said, provides flexibility and allows Order-in-Council No. 416/77, as amended by Order-in-Council No. 2546/77, to be treated as a guideline.

Comment:

The Committee is satisfied with the Ministry's response to the issues identified by the Provincial Auditor. The Committee also believes that the recent changes in procedures for regulating lotteries will remove causes for concern about the use and distribution of lottery monies in the future.

Ministry of Energy

Representatives of the Ministry of Energy appeared before the Committee to respond to items raised in Section 2.11 of the Auditor's Report regarding provincial-federal program duplication and the purchase of consulting services.

Apparent provincial-federal program duplication and overlapping of efforts in the field of energy conservation have been issues of continuing concern to the Committee. Of particular interest during the 1982 Committee meeting were the similarities between the objectives and results of the Ontario Energy Savers Tune-up Program and the Federal "Operation Tune-Up" program.

Ministry officials maintained that they were well aware of the federal program and the publication which resulted from it, but claimed the federal program and publication were substantially different from those of the Ministry. It was felt the publications of the federal government as well as those of private oil companies in regard to automobiles and energy conservation were technical, detailed, nationally-oriented and directed to a more informed and committed audience than was the pamphlet produced as a result of the provincial program.

The Ministry believed its program successfully addressed regional as well as local considerations, generated more publicity than the federal program, and did more to promote awareness of energy conservation at a cost substantially less than if the Ministry had purchased the publicity in the form of paid advertising.



The Ministry explained that program duplication or overlap is partially the result of an increasingly active federal role in the field of energy conservation. However, initiatives have been and will continue to be undertaken to improve co-ordination and reduce overlap.

In regard to the purchase of consulting services, the Auditor noted instances where contracts for management consulting services had not been tendered and officials had not obtained Management Board approval or approval from the Deputy Minister for an exemption from tendering. In one case, Management Board approval was not obtained when the contract was amended twice, substantially increasing the cost.

The Ministry responded that the services were in fact for technical rather than management consulting, which exempted the Ministry from the requirement of obtaining Management Board approval. In other cases where Management Board approval was not obtained for an exemption from tendering, Ministry officials explained that three contracts were for communications services, and the approval of the Deputy Minister or Assistant Deputy Minister had been obtained. In one case, the approving documentation could not be located. In another instance regarding a contract for the study of Ministry records and systems management, a formal, written contract had not been completed. This situation was subsequently rectified.

Ministry officials explained that staffing restrictions, time constraints and the fast growth of complex programs made the rapid hiring of outside consultants necessary. The Ministry's administrative support process is being strengthened to reduce the occurrence of urgent situations, officials stated. Further, whenever approval for exemption from competitive selection is required, it was stated that steps are being taken to ensure a waiver is signed in advance by the Deputy Minister.

The Auditor also noted two cases where employees' contracts had been allowed to expire, and the same employees were subsequently hired back by the Ministry on a consulting basis at substantially higher rates of pay. It was explained that in one case the responsibility factor was significantly greater, and the fees were raised accordingly. No reason was offered for increasing the fees for the second consultant whose duties and responsibilities were unchanged. The Deputy Minister stated that in retrospect there was not sufficient justification for allowing this to occur.

#### Recommendations:

2. The Committee believes that substantial effort should be made by the Ministry of Energy to obtain maximum value for money expended. The Ministry should also increase its efforts to eliminate provincial-federal program and publication duplication and overlap. Initiatives undertaken by the Ministry with its federal counterpart to improve the co-ordination of programs and publications and to eliminate duplication, are strongly endorsed and recommended by the Committee. Measures aimed at fostering co-operation and consultation between the provincial and federal jurisdictions in the field of energy are also recommended.

3. The Committee is concerned that expenditures on the generation of publicity through paid advertising or other means of communication for energy-related programs, are -- and are shown to be -- cost-effective. In order to ensure that cost-effectiveness is achieved, the Committee recommends that such expenditures be justified by periodic evaluations or surveys of campaigns demonstrating their effectiveness.
4. In regard to the purchase of consulting services, the Committee believes that the requirements outlined in the Ontario Manual of Administration regarding tendering should not distinguish between management and technical consulting services. The Committee therefore recommends that the procedures to be followed when tendering for management consulting services, as outlined in the Ontario Manual of Administration also be followed in regard to tendering for technical consulting services.

The Committee believes that the principle of cost-efficiency in the administration of government should prevail at all times. Value-for-money is not achieved when employees' contracts are allowed to expire and the same employees are then rehired on a consulting basis at higher rates of pay.

5. Accordingly, the Committee recommends that employee contracts should be reviewed prior to their scheduled expiry to allow the opportunity to determine if the services continue to be required, and if so, to continue them through an arrangement that maximizes cost-efficiency. The fee structure should not change unless the duties and responsibilities of the employees also change substantially such that a pay increase is clearly warranted.

Further, except in exceptional circumstances, employees whose contracts have been allowed to expire should not be rehired as consultants by the same employer until a reasonable period of time has elapsed, and only when the circumstances clearly warrant this procedure.



### Ministry of Health

The Deputy Minister and a representative from the Emergency Health Services Group appeared before the Committee to discuss matters related to Section 2.16 of the Auditor's Report. Section 2.16 dealt with three issues: vehicles and equipment, specifically ambulance conversions, the operation of the Ministry of Government Services' ambulance service stores facility in Mimico, insurance for vehicles, and replacement policy; central ambulance dispatch centres; and matters related to fee-for-service expenditures and staff travel costs.

The Auditor identified a number of concerns about the purchase of vans and their conversion to ambulances. Current procedures, as outlined in the Ontario Manual of Administration, require the Ministry of Transportation and Communications to purchase vans for conversion at the request of the Ministry of Health. The vans are ordered from dealers, after tendering, and then they are delivered to the Ministry of Government Services' garage in Mimico. For a period of time, the Ministry of Government Services was carrying out the van conversions because private contractors were not available. The Auditor expressed the concern that the purchase and conversion procedures created substantial delays in bringing ambulances into service. And the Auditor noted that one aspect of conversion, the application of ambulance identification, was costly and necessitated repairs to the vehicles before they could be sold for disposal, at the end of their use by the Ministry.

The Ministry's officials replied to these concerns, stating that procedures had been modified, as a result of the Auditor's Report. The purchase-conversion cycle had been accelerated and inexpensive methods had been developed to remove ambulance identification which resulted in no damage to the vehicles prior to sale for disposal.

The Auditor identified eight concerns related to the Mimico ambulance stores facility, which is under the control of the Ministry of Government Services. Most of the matters raised by the Auditor concerned inventory control and accountability. A particular issue was the purchase of communications equipment that was found to be, subsequent to its purchase, incompatible with the Ministry of Health's communications network.

The Ministry's officials noted that they had addressed and implemented changes to deal with five of the Auditor's eight concerns and that the remaining three were being dealt with. Moreover, the Ministry had engaged consultants to suggest means to organize the stores facility better and that some consideration was being given to integrating the operation of the stores facility with the pharmacies stores.

On the issue of insurance, the Auditor noted some discrepancies in the Ministry's count of ambulance vehicles and suggested that an excess payment of premiums was a result. The officials of the Ministry responded that the Auditor's concerns had prompted them to initiate a different arrangement with the Ministry of Government Services for insurance and that it had resulted in a savings. The vehicle count discrepancies were clarified.

The Auditor also noted, in a last point about vehicles and equipment, that the Ministry lacked a written policy on the replacement of ambulances. The Auditor recommended such a policy and centralized fleet inventory management.

On the subject of Central Ambulance Dispatch Centres the Auditor identified two points of concern. One matter was excess payments and cost overruns for implementing the system. The second issue was

various delays in implementation, which could also involve costs. The Ministry's officials noted that experience gained to this point should help the Ministry to prevent future cost overruns. Further, the officials reported to the Committee that more precise technical specifications for equipment, which have now been put in place, should also help to curtail costs. But on the matter of delays, the officials acknowledged that arrangements for central dispatching had met with some resistance from private ambulance operators. The officials noted, too, that they would proceed with the program as expeditiously as possible.

The final matters raised by the Auditor related to fees-for-service for certain persons engaged by the Ministry and staff travel expenses. The Ministry officials noted that some of the expenses had been unavoidable because of special circumstances, but that efforts were being made to control costs.

Comment:

The Committee wishes to commend the Ministry for its willingness to adopt and implement suggestions made to it by the Provincial Auditor.

Ministry of Labour

Officials of the Ministry of Labour and the Women Crown Employees Office appeared before the Committee to discuss matters raised in Section 2.17 of the Auditor's Report, 1980-81 related to the Affirmative Action Program.

The Committee expressed concern about the Affirmative Action Program's long-term objective of 30 percent representation of women in currently under-represented modules and categories by the year 2000. As noted by the Auditor, the current representation of women and the estimated availability of qualified women for certain public service jobs, are so small as to suggest that the 30 percent goal is unrealistic.

Ministry officials explained that the prospect of substantial achievement in the areas identified by the Auditor does appear remote. However, as the Ministry's ability to project becomes more sophisticated, the targets may be accommodated to meet the realities of the vacancies and the number of qualified women candidates for available positions.

The Auditor suggested that economies could be achieved by integrating the Program's administration with the normal personnel structure of the Government. The Ministry disagreed with this suggestion. It was felt that such integration would be inappropriate, since it would eliminate the Women Crown Employees Office as an independent, advocacy unit designed specifically to promote the advancement of women in the public service.

The Ministry further argued that since the Ministry of Labour is responsible for the enforcement of anti-discrimination legislation as it relates to women's employment, the resources of both the Ministry and



the regular Government personnel structure can be shared and the efforts of both institutions are complementary and mutually reinforcing. The Ministry considered that its continued administration of the Affirmative Action Program was therefore both logical and desirable. In addition, Ministry officials did not acknowledge that savings might be achieved as a result of administrative integration, since the net result of integration would not be a reduction of jobs.

The Auditor also commented that, on occasion, some of the information contained in the Affirmative Action pamphlets may inadvertently be misleading, inaccurate or outdated. Accordingly, the Auditor suggested that Program pamphlets be reviewed to ensure statistical data are accurate. The Ministry agreed with this suggestion, and indicated that policy guidelines on publications were being developed.

Committee members also expressed interest in the planning targets established by the Ministry to increase female representation in under-represented areas. The special advantages offered women in job competitions were also of concern.

Corporate planning targets are goals, Ministry officials explained, and are not achieved by the imposition of quotas. The targets are developed by using data provided by the WCEO and the Ministry on the availability of qualified women. For positions in ministries in which women are currently under-represented, the decision may be made to open the competition on a government-wide basis or even open it to the public at large. This is to allow qualified women applicants who are not available in the Ministry in which there is a vacancy to enter the competition. All applicants, both male and female, then enter the normal competition process in which the merit principle applies. Ministry officials emphasized that planning targets rather than quotas are the preferred method of developing affirmative action in the public service.

Recommendation:

The Committee accepts and endorses the concept of increasing the representation of women in currently under-represented modules and categories in Ontario public service positions.

6. However, the Committee believes that in certain instances, the long-term objective of 30 percent representation by the year 2000 is not likely to be met under current circumstances. The Committee therefore recommends that the Ministry should improve opportunities for training women to insure that goals are met.
7. The Committee further recommends that the Ministry endeavour to improve its methods for projecting the future availability of qualified women for certain public service occupations so that the targets may be accommodated to more realistically reflect both the status of the vacancies and the number of qualified women candidates for those vacancies.

### Ministry of Revenue

Deficiencies in the payment of Ontario Pensioners Property and Sales Tax Grants, as outlined in Section 2.20 of the Auditor's Report, were discussed by the Committee with officials of the Ministry of Revenue.

The Auditor's review disclosed certain weaknesses with respect to the filing system, the computerized accounting system, and the systems of recording accounts receivable and determining overpayments.

Ministry officials accepted as valid all of the Auditor's comments and recommendations. The problems noted by the Auditor were the result of the implementation within a short time period of a large-scale, complex system designed to handle a high volume of transactions. At the time of the Auditor's review, the program was in the formative stage of development. It was anticipated at the time of the program's inception that it would take up to three years to fully develop the system, and until then problems could be expected.

Ministry officials emphasized that the problems raised by the Auditor were not a reflection of any fundamental weaknesses in the operation of the program and did not compromise the performance and accountability of the program as a whole. Rather, the problems stemmed from administrative weaknesses, and corrective measures have already been taken or are in the process of being implemented.

The Committee closely questioned Ministry officials as to the recovery of overpayments made under the program. Ministry officials explained that as at December 31, 1981, overpayments amounted to about \$1 million, of which one-half remained outstanding. Approximately one-half of the outstanding amount represented overpayments which were being repaid on an installment basis.

Recommendation:

The Committee appreciates that certain problems are likely to result when complex systems are implemented within a short period of time, and endorses the Ministry's efforts to correct the noted deficiencies in the payment of Ontario Pensioners Property and Sales Tax Grants. The Committee notes that there have been improvements and hopes that the delivery of grants will continue to improve.

The Committee believes that better public access to and utilization of the Ministry's regional and central offices may alleviate some of the problems encountered by the public in regard to the payment of these grants.

8. Toward this end, the Committee recommends that the Ministry ensure that an adequate number of well-informed personnel are in place to answer questions and process applications.



Provincial Secretariat for Social Development

Secretariat officials appeared before the Committee to discuss items raised in Section 2.21 of the Auditor's Report dealing with the Experience Program. The stated objective of the Experience Program for 1981-82 was to provide the maximum number of career-related employment opportunities for Ontario youth in Government ministries and associated agencies.

The Auditor recommended certain changes in regard to this objective. In addition, the Auditor identified projects which were not considered appropriate to the objective and guidelines of the Program. Certain weaknesses in the reporting of the Program's results were also noted by the Auditor.

Secretariat officials described the changes in the Program's operation which were made in response to the Auditor's comments and recommendations. The Auditor did not consider some types of employment offered under the Program to be career-related, contrary to the stated objective and goals of the Program. Secretariat officials explained that the 1982 Program objective has been amended from providing career-related employment opportunities to reducing unemployment during the summer months. Additionally, the emphasis has shifted from providing meaningful work experience for youth, to providing jobs which directly contribute to Ontario's economic development, as well as offering employment to persons who face special disadvantages in the work force.

The Committee questioned the method of measuring and monitoring the Program's effectiveness. Secretariat officials explained that Program effectiveness is gleaned through a survey at the

end of the summer employment term questioning participants as to whether they felt they had obtained meaningful, career-related experience. Objective methods of monitoring effectiveness are used only in co-operative education programs. Otherwise, written program objectives are not formulated, and follow-up is achieved by the questionnaire.

Recommendation:

9. During the course of discussion the Committee discovered that the Provincial Secretariat distributes hats, buttons, and other promotional paraphernalia to students in its program. The Committee believes that such items are unnecessary and recommends that they not be purchased or distributed. The money saved could be used for additional employment opportunities.
10. The Committee further recommends that the Provincial Secretariat for Social Development develop adequate methods of monitoring the effectiveness of the Experience Program in order to ensure that the Program benefitted both the employee and the Ministry.

### Ministry of Transportation and Communications

Officials of the Ministry of Transportation and Communications appeared before the Committee on two occasions to discuss matters raised in Sections 2.23, 2.24, and 2.25 of the Auditor's 1980-81 Report.

The Auditor noted various weaknesses and difficulties with respect to internal controls in the Ministry's vehicle licencing system as well as in agents' direct deposit system. Ministry officials explained that the new motor vehicle registration system, when fully implemented, will eliminate many of the problems in the two systems reviewed by the Auditor. Recommendations made by the Auditor which will not be implemented as a result of the vehicle registration system, either have already been or will be addressed by the Ministry.

Ministry officials described the new system and its various implications for the operations of other ministries. According to the officials, the cost of the entire system over the five-year implementation period is estimated to be about \$26 million. Municipalities will derive the major portion of savings as a result of this system, since it will greatly facilitate the collection of unpaid traffic and parking fines. It is anticipated that the new system will not eliminate or significantly reduce the number of agents across the province, since people are unlikely to trust the renewal of their motor vehicle registration to the mail service, and because there will always be some demand for agents' services, according to Ministry officials.

Section 2.23 of the Auditor's Report outlines the implementation gaps regarding the Ministry's Strategic Policy Development and Planning





## CROWN AGENCY OPERATIONS

Liquor Control Board of Ontario

Officials of the Liquor Control Board of Ontario (LCBO) and the Minister of Consumer and Commercial Relations appeared before the Committee to address questions stemming from the Public Accounts, 1980-81 and the Board's annual report.

Questions were raised in regard to the Board's substantial increase in security costs over a one-year period. Officials explained that the increase was due to the recent establishment of a security department to control rising losses in retail outlets as a result of pilferage. It was uncertain as to whether this pilferage is attributed mainly to employees or consumers, although with the introduction of self-service stores, losses and breakage have increased. A more sophisticated alarm system and new locks have also been installed.

The Committee also expressed concerns about the LCBO's hiring practices. Board officials explained that attempts are being made to reduce the number of part-time employees who have been working for the Board for more than two years by ensuring senior part-time and temporary personnel are hired when vacancies for permanent positions arise.

The Minister outlined Ontario's position in regard to the distribution of liquor in duty-free shops at border points. It was explained that Ontario wants to participate in this matter, and is willing to be flexible in leasing space from duty-free shop owners. Charges by federal government officials that Ontario is unco-operative in this matter are unfounded, according to the Minister, and a meeting with federal officials is planned in the near future.

Recommendation:

11. In view of the Liquor Control Board's sales in 1981 of \$1,182,784,469, and its net income for the year of \$443,383,433, the Committee recommends that the Provincial Auditor should undertake a management audit of selected operations of the Board.

Liquor Licence Board of Ontario

Current and former officials of the Liquor Licence Board of Ontario appeared before the Committee on three occasions in 1982. At the initial hearing, officials discussed matters raised in Section 3.6 of the Auditor's Report dealing with various administrative deficiencies. The Auditor's review was undertaken at the request of the Deputy Minister of Consumer and Commercial Relations.

At the second hearing, the former Chairman of the LLBO and the Deputy Minister of Consumer and Commercial Relations offered testimony as to events at the LLBO during the period when an official of the Ministry was serving on a secondment as the acting Director of the Inspection Branch at the Board. This official, who was the Director of the Ministry's Investigation Enforcement Branch, was seconded to act as Director of the Inspection Branch following the convictions of certain liquor licence inspectors on criminal charges. The testimonies of these two witnesses were at variance on a number of major points.

At the third hearing, the former Minister of Consumer and Commercial Relations clarified certain issues stemming from the Committee's second hearing on the LLBO.

During the initial hearing, the current Chairman of the LLBO emphasized that the administrative problems cited in the Auditor's Report occurred under his predecessor's administration. The causes of the problems and the procedures implemented under the new Chairman to avoid similar difficulties, were discussed at the meeting. The former Executive Director was directly responsible for the deficiencies outlined in the Auditor's Report.



Among other things, the Committee questioned the possible existence of a conflict of interest in regard to the former Executive Director's provision of hospitality to vendors conducting business with the Board. Board officials indicated that no conflict of interest guidelines have been developed in regard to the provision of hospitality.

During all three hearings, Committee interest focused on the circumstances surrounding the secondment of the Ministry official to the Board and the reason for his return to the Ministry when his employment was terminated by the Board.

The major points on which the testimonies of the former Chairman on the one hand, and the Deputy Minister and former Minister of Consumer and Commercial Relations on the other, were at variance, and which were of major concern to the Committee during its deliberations, are as follows:

- The former Chairman testified that the secondment of the Ministry official to the Board was imposed unilaterally by the Ministry and without prior consultation with the Board. Both the Deputy Minister and the Minister testified the Board was consulted and an amicable settlement was reached. The Minister emphasized that if at any time the Board had objected to the secondment, it could have prevented it or terminated the relationship.
- The former Chairman stated that it was his understanding that following an O.P.P. investigation of the liquor licence inspectors who were charged and subsequently convicted on criminal charges, a report would eventually be made available to him. According to this witness, the Minister at the time refused to supply it, stating "It ends here, on my desk." Both the Deputy Minister and the Minister denied the existence of such a report.

- The former Chairman indicated he was convinced the seconded official was acting in an investigative capacity while at the Board, and concluded the Ministry was attempting to incorporate the Board and transform it into a subsidiary office of the Ministry. The Deputy Minister and the Minister denied this allegation, and insisted that no reports of an investigative nature were directed to the Ministry while this official served at the Board.

The Minister confirmed that the official was chosen on the basis of his administrative rather than investigative background. He stated that the official informed the Deputy Minister of certain events at the Board upon his return to the Ministry simply because they had come to light during his tenure there. The matter was then referred to the Provincial Auditor for investigation. The results of the Auditor's investigation are outlined in section 3.6 of his Report.

- The former Chairman complained of the Ministry's failure to communicate with the Board on a number of matters, which resulted in lengthy and costly investigations. The Deputy Minister stated there had been considerable communication, but the Chairman could not be convinced that serious administrative deficiencies existed at the Board.
- In regard to the various administrative deficiencies in the LLBO as noted in the Auditor's Report, the former Chairman simply stated he had nothing to do with those administrative matters. The day-to-day administrative functions were being carried out under the Executive-Director at the time. The former Minister of Consumer and Commercial Relations, however, stated that

the former Chairman of the LLBO could not absolve himself of responsibility for the Board's management.

- The former Chairman was highly critical of the actions of the Ministry official during the period of his secondment, and regarded him as a demoralizing influence and an impediment to Board operations. The Deputy Minister and the Minister, however, emphasized that this official was at no time conducting a covert investigation and is an able administrator who was frustrated in his attempts to institute constructive changes.
- In regard to the issue of whether or not it was common practice for liquor licence inspectors to manipulate certain information on their inspection forms to avoid claiming overtime, as well as other Board practices and procedures which may have played a role in the inspectors being charged with criminal offenses, the former Chairman claimed no knowledge of the Board's established practices.

He also indicated agreement with the grievance board's decision to reinstate the inspectors convicted of criminal offenses. According to the former Chairman, the documents that were classified by the court as legal documents were, in the LLBO's opinion, not legal documents. The Minister, on the other hand, did not agree with this arbitration decision, and concluded that such rulings make it difficult to take disciplinary actions with employees.

#### Recommendation:

12. The Committee recommends that Management Board of Cabinet should inform agency heads fully of their responsibilities and hold the agency heads accountable for their actions and performance.

Ontario Junior Farmer Establishment Loan Corporation

Officials of the Ministry of Agriculture and Food and the Loan Corporation appeared before the Committee to discuss issues raised in Section 3.8 of the Auditor's Report.

The Corporation was established in 1952 for the purpose of making loans to young qualified farmers for the establishment, development and operation of their farms. However, no new mortgage loan applications have been accepted since 1969. At the end of the 1981 fiscal year, the balance of mortgages receivable by the Corporation amounted to \$50.3 million.

Three major issues were raised in regard to the Corporation's administration of mortgages. In the past, the Corporation initiated sale proceedings on mortgages significantly in arrears in order to recover the outstanding mortgage balance. Currently, however, sale proceedings are no longer initiated as an ultimate collection procedure.

The Deputy Minister testified that it was a deliberate decision not to initiate sale proceedings to recover outstanding mortgage balances during the current adverse economic conditions. The proportion of mortgage arrears was stated to be small, numbering between 100 and 130 out of a total of 3,000 mortgages currently being administered, or about 4 percent of the value of outstanding mortgages. This amounts to approximately \$300,000 out of a total of \$50 million. According to Ministry officials this policy will be reassessed when economic conditions improve or when a new program for young farmer assistance is introduced.



The Auditor also noted that Section 19 of The Junior Farmer Establishing Act stipulates that a mortgage taken as security for a loan shall, at the option of the Corporation, immediately become due and payable when the land or any part thereof is sold or otherwise disposed of. Twenty-five assumptions of mortgages on farm property sold with existing junior farmer loans were approved during the 1980-81 fiscal year. The Auditor suggested this current policy be reconsidered, since new loan applications have not been accepted for a number of years and the assumed mortgages bear interest at an average rate of only 5 percent.

The Committee was also concerned about the fact that some mortgages had been assumed on the sale of the properties by parties who did not qualify as loan applicants under the terms of the enabling legislation. Section 12(1) of the Act stipulates that a loan applicant must not be older than 35 years of age and must have had a minimum of three years of farming experience. In some instances, these conditions were not met when the mortgage was assumed by another party. The Auditor suggested a legal opinion on this practice should be obtained.

Witnesses explained the rationale for allowing the 5 percent mortgage to be passed on to the buyer upon the sale of the property. It was argued that forcing farmers to pay off the mortgage at the transaction date effectively discounts the sale price of the property and reduces the attractiveness of the property to potential buyers. This places the seller in a disadvantageous position. .



Ontario Northland Transportation Commission

The Deputy Minister of Northern Affairs and the Chairman of the Ontario Northland Transportation Commission appeared before the Committee to answer questions stemming from Section 3.11 of the Auditor's 1980-81 Report. The Auditor's review disclosed various deficiencies in the control and disposal of salvaged goods by Star Transfer Limited, a wholly-owned subsidiary of the Commission.

The officials explained that all of the Auditor's recommendations have been implemented without exception.

Most of the meeting was devoted to describing the various factors which have eroded the company's competitive position in the trucking industry in Northern Ontario to the point where it is presently up for sale by tender. The officials explained that at the time the company was initially purchased in 1960, there was some concern about the lack of trucking competition in the Northeastern Ontario corridor, and it was felt the company could fulfil some of the service needs of the region. Since then, and particularly because of trucking licence deregulation, the number of competitors has increased and the basic freight and trucking needs are being adequately met.

When questioned as to why Star Transfer Limited had not endeavoured to improve its competitive position by purchasing additional licences, officials explained that the company is a tariff-regulated one, licenced to operate in a specific market to prevent the creation of a monopoly. Since competitors now enjoy an interchange of licences and equipment and provide trucking services at reduced rates, the *raison d'être* of the company no longer exists.

The Committee also expressed concern about the reasons for the successive losses the company has incurred in recent years. Officials explained that the major portion of these losses is attributed to the purchase and construction of a new Toronto terminal, which increased the company's debt load. This terminal is regarded as a valuable asset and may not be sold as part of the company's sale package.

Urban Transportation Development Corporation

The President and Chief Executive Officer of the Urban Transportation Development Corporation (UTDC) appeared before the Committee to address matters relating to Section 3.12 of the Auditor's 1980-81 Report, and in regard to the Corporation's financial statements.

It was explained that the Auditor's recommendations to improve internal and administrative controls have been complied with except in regard to revising the budget during the fiscal year to reflect changes that have occurred in the projected operations. Instead, the Corporation utilizes a variance column to compare the modifications that were necessary against the original budget. This method was seen by the Corporation as providing more useful information than would a budget revision.

Questions were also raised in regard to UTDC's Canadian Light Rail Vehicle Program (CLRV), and the status of an outstanding claim with the Ministry of Transportation and Communications for certain costs incurred under this program. It was explained that the claim was eventually settled for \$13,078,000. This claim arose when the CLRV Program was initiated and manufacturers' tenders were called. In 1976 the Government of Ontario instructed the UTDC's Board of Directors to award the contract to Hawker Siddley Canada Ltd., even though this company's tender was not the lowest one. An agreement was reached among the parties involved - UTDC, TTC and MTC - that all the costs related to the award of the contract over and above what would have been awarded to Bombardier Inc., the company with the lower tender, would be borne by MTC. This included the costs of borrowing additional money during the construction period. The claim remained outstanding until the project was completed.

The second major issue raised pertained to the salaries of UTDC's top administrators. It was explained that this information will eventually be tabled in the Legislature, in conformance with the Treasurer's recent directive that such information be disclosed. However, the witness indicated his reluctance to disclose the salaries of certain employees, particularly the company's engineers, since this might jeopardize UTDC's competitive position by the potential loss of these very valuable human assets.

Committee concern was also expressed over the Corporation's recent failure to secure major projects in three U.S. cities. The company's present competitive position was discussed. It was explained that while UTDC's production costs are competitive, the major problem currently is pricing, which is inflated because of high interest rates. The Corporation's financing costs are about double those of most competitors: 18 percent interest as opposed to 8.25 to 9.5 percent which the competitors enjoy. Since the traditional practice today is to borrow to finance the customer, until the interest rate problem is ameliorated, UTDC's competitive position will be impaired. Various short and long-term solutions to this problem are currently being sought.

Comment:

The Committee will examine Crown corporations, board, and agencies in Ontario and other jurisdictions during its 1983 deliberations. A number of matters raised in this section of the report will be reviewed again at that time.





## SPECIAL REVIEWS

### Computers in Government

The Committee conducted an intensive review during the 1982 session of computer facilities and services in the Ontario Government. Since computer technology is widely used in government operations and is becoming increasingly complex, the Committee is concerned that proper controls of data and systems are maintained.

Officials of the Management Board of Cabinet and the Office of the Provincial Auditor provided invaluable assistance to the Committee during its investigation. In addition, officials of the Ministry of Energy and the Ministry of Government Services appeared before the Committee to discuss issues regarding their computer operations which were raised in the Auditor's Report. At the request of the Committee, the Auditor conducted reviews of the electronic data processing in the Ministry of the Environment and the Ministry of Correctional Services, and officials from these ministries also appeared to discuss the Auditor's findings. A total of four full hearings were conducted on computers in the Ontario Government during the last session.

Management Board officials provided an overview of the subject, outlining such matters as the current state of the technology, the EDP-DDP configurations in the Ontario Government, policies and procedures governing the acquisition and operation of computer systems in government, the various organizations responsible for the development, implementation and co-ordination of EDP systems, current policy initiatives and the major issues and concerns with respect to complex computer systems and distributed data processing.

An EDP specialist from the Office of the Provincial Auditor elaborated on certain points raised by Management Board officials, and described in some detail the systems development methodology used by the Ontario Government, the mechanics of an EDP audit, computer system and information controls and the major concerns of auditors with respect to the use of computer hardware and software. EDP audit reviews of the Ministry of Correctional Services and the Ministry of the Environment were also presented and discussed.

A recurring theme throughout the presentations was the shortage of skilled EDP personnel, and the difficulty in recruiting and retaining them in the public service. It was explained that human resource management in the field of EDP is one of the most salient government concerns. Not only are highly-trained computer people difficult to find, but often government pay scales and fringe benefits cannot compete with private sector organizations. A common scenario is that people with a limited degree of EDP training are recruited, their skills are upgraded by courses offered by the government or on-the-job training, and then are lost to private organizations offering substantially higher salaries. The turnover in the industry generally is very high, but in government the problem is acute.

The shortage of skilled EDP auditors in ministries is also a serious concern to Management Board officials and officials in the Office of the Provincial Auditor. It was emphasized that it is important that internal auditors with well-developed EDP skills be involved in monitoring, controlling and assisting in the development of EDP systems within ministries. It is more advantageous to have an EDP auditor involved in the early stages of systems development, since any modifications made in later stages are progressively more expensive to implement. The problem of shortages of EDP auditors was



demonstrated when the Committee learned during one of the hearings that at that time the Ministry of the Environment did not have any EDP internal auditors.

The shortage of EDP audit personnel is a high priority concern of both Management Board and the Provincial Auditor. A contributing factor to this problem is that professional organizations are not training their students adequately in EDP skills. The Civil Service Commission has established an EDP training program for auditors in an effort to rectify this problem. Management Board officials suggested that it may be easier to train EDP specialists in auditing than auditors in EDP, and this training should be encouraged. It was stated that such training may be arranged by the Civil Service Commission.

The problem of shortages of fully-trained EDP auditors exists not only within ministries, but also in the Provincial Auditor's Office. At the time of the review, there were three people in the Office of the Provincial Auditor responsible for EDP auditing in the government as a whole. It is important to note that an EDP audit by an external auditor consists of reviewing existing systems, and conducting a retrospective evaluation of their planning and control mechanisms.

Officials also stressed the issues of security and integrity of information, the increasingly complex and rapidly evolving technology, privacy of information, and the adequacy of controls of certain DDP configurations and of information transmitted from and between remote sites. These issues are currently being examined and solutions to existing and potential problems and abuses are being earnestly sought.

Management Board officials advised the Committee that a comprehensive policy governing GDP is currently being revised to reflect technological changes which have occurred since the original guidelines were developed. A policy on systems development services, encompassing the use of consultants and various rules and regulations governing them, is also being developed and is scheduled for completion in the near future.

### Comments

Some of the matters raised in this section of the report will receive further attention from the Committee during its 1983 meetings.

### Ministry of Energy

At the May 13th hearing dealing with computer systems in government, officials of the Ministry of Energy discussed issues raised in Section 2.1.2 of the Auditor's Report. The Auditor's review disclosed certain management control deficiencies with respect to the Ministry's Word Processing Centre. Productivity tests conducted by the Auditor's staff disclosed that the Word Processing Centre was operating at a 10 to 34 percent efficiency, and that productivity had decreased by over 25 percent when compared to the manual operation previously used.

The Deputy Minister maintained that there are no definitive standards for determining the productivity of word processing equipment, and stated that, contrary to the Auditor's findings, the Ministry's

evaluation method (based on the pages of output as opposed to the Auditor's test of actual line output per man day), indicated the operations of the Centre in terms of productivity were good. Based on the criterion of pages of output, the Ministry calculated that the equipment is operating at about 70 percent efficiency. Ministry officials conceded, however, that no single test of efficiency is a fair and complete measurement of performance and productivity.

Recommendation:

13. Management Board Secretariat and the Provincial Auditor should work toward developing a mutually acceptable definition of and means for measuring productivity in word processing.

Ministry of Government Services

Issues stemming from Section 2.15 of the Auditor's Report regarding deficiencies in contingency plans of the government computer centres, were also discussed at the May 13th session.

The Auditor found that while each of the three computer centres at Queen's Park, Downsview and Leaside, had developed its own contingency plan in the event of partial or total destruction of the installations, priorities were not established among the various applications. In the event of a disruption or disaster to the computer system, this lack of established priorities would impede the efficient implementation of a contingency plan. The Auditor also noted that the centres do not make a practice of test-running sensitive applications on alternate equipment to ensure modifications to either hardware or operating systems configurations do not impede back-up capabilities.

Ministry officials indicated that the security review program initiated by MGS has not proceeded as quickly as they had hoped. This delay was attributed to the fact that individual ministries have to establish their own priorities, and these priorities change daily. From the standpoint of the computer centres, there is the problem of how to co-ordinate and prioritize the applications of a number of ministries. Which ministry applications are more important than others also changes from day-to-day.

According to officials, the Ministry has attempted to alert other ministries to their responsibilities and to encourage them to develop contingency plans. The Ministry has been reorganizing to centralize control and planning of the data centres, which will also assist in offering back-up within and amongst the centres. It

was further suggested that it is the responsibility of the individual ministries which "own" the data to conduct test runs in off sites.

Recommendation:

14. The Committee recommends that immediate action be taken by the Ministry of Government Services to develop contingency plans for computer system disruption and/or disaster.



### Government Advertising

As a result of the Committee's concern about the cost and value of government advertising, the Executive Co-ordinator, Advertising and Promotion Services Group of the Ministry of Industry and Trade appeared before the Committee. The operations of the Agency of Record (A-O-R) were outlined and various issues relating to government advertising were discussed.

The Committee was - and is - concerned about the lack of a definitive calculation of government advertising expenditures. The witness explained that the Agency of Record's advertising expenditures reflect the money that has been spent on advertising by all of the ministries, boards, agencies and Crown corporations (excluding Ontario Hydro) in the domestic media, and that have been accounted for by billing. In order to arrive at a complete and accurate estimate of the total amount spent on advertising which is not routed through the Agency of Record, each ministry and agency would have to be surveyed individually. There is no centralized unit "controlling" government advertising, only the purchasing for advertising that is decided upon within the ministries.

It was explained that each ministry is responsible for its own advertising program, including creative development, media plan, research and funding. The Agency of Record then purchases the advertising space and time on behalf of the Government of Ontario.

The advertising agencies hired by ministries to execute their campaigns are paid for the materials that go into developing the ads, so the suppliers' bills are marked up by 17.65 percent on the net, which is 15 percent of the gross. Once the materials are placed in the

media, they receive a 15 percent commission from the media, and the Agency of Record retains 2.25 percent. The participating agency is sent 12.75 percent.

As the advertising agency chosen by competitive selection as the instrument to carry out the purchases, Foster Advertising Ltd. receives 2.25 percent of the 15 percent media commission, and offers ministries a 2 percent cash discount for paying their bills within ten days, according to the witness. The ministries receive the 2 percent cash discount because Foster takes it from the media, since this agency puts the money up front, pays the media and then bills the ministries.

The major benefits of the A-O-R were stated to be better co-ordination and placing of government advertisements, and savings resulting from bulk purchases.

A number of questions and concerns were raised by the Committee members about the content and timing of certain ministry advertisements. However, since responsibility for these matters rests with the ministries themselves, the witness was unable to address these matters.

#### Recommendation:

15. The Committee recommends that the Management Board of Cabinet specify in the printed Estimates the service component, such as costs for advertising, computers, and so forth.

### Grievance Boards

Officials of the Crown Employees Grievance Settlement Board (GSB) and the Public Service Grievance Board (PSGB) appeared before the Committee to answer questions related to the Boards' operations as well as specific arbitration decisions.

Committee concern focused on the possible difficulties created for managers of various government organizations in disciplining employees as a result of certain arbitration decisions. Of particular concern was the decision of the GSB to reinstate a liquor licence inspector following his conviction on criminal charges and subsequent dismissal from the Liquor Licence Board of Ontario.

Grievance board officials emphasized the different roles of the courts and the arbitration tribunals. It was explained that the grievance boards are concerned with the employment situation and the relationship between an employer and an employee. They employ a standard of proof distinct from that of the courts, and are responsible only for determining if a particular disciplinary action is appropriate, regardless of whether or not criminal convictions have resulted. The bulk of Grievance board cases involve interpretations of collective agreements, working conditions, discipline, and classification rating.

Grievance board officials admitted that the general rule in both the private and public sectors is that offenses such as theft from an employer are just cause for discharge. However, it was argued, this is not always a clear-cut rule, and in a few, special cases a careful evaluation of factors other than simple guilt or innocence are weighed: the circumstances surrounding the action, the employment situation itself and the effects of the criminal conduct, are examples of factors that are considered in order to determine the appropriateness of a disciplinary action.

In the case of the liquor licence inspector referred to above, it was suggested that the tribunal determined that some of the practices and procedures followed by the inspector seemed to be condoned by the employer, and the LLBO therefore had a certain responsibility in the situation.

The issue of the costs involved in processing cases which are apparently trivial or frivolous - involving, for example, small sums of money - was also raised. Grievance board officials stated that although the degree of abuse is small, there have been a few instances where the grievance process has been employed to settle disputes involving insignificant sums of money. Officials argued that often the amount of money at issue is irrelevant, since the grievance procedure may establish a principle which can be extended to disputes involving substantial awards.

The Committee is concerned that in certain instances, Grievance board decisions may impair the ability of managers to manage employees effectively. The Committee believes that the precedents established by certain arbitration board decisions may have a demoralizing effect on employers and may pose a disincentive for managers to take disciplinary action even when circumstances clearly warrant such action. The Committee is concerned that managers may find it difficult to undertake their responsibilities with due regard for efficiency, effectiveness and probity. This may seriously compromise the accountability of employees to their superiors.

The Committee believes that there is, or should be, a close relationship between an employee's criminal record and his ability and right to perform his job as a public servant. Certain serious offenses

such as theft, fraud or accepting benefits, for example, are of direct relevance to an employee's responsibilities, and a conviction of such an offense undermines the trust between an employee on the one hand and his employer and the general public on the other.

In addition, the Committee is concerned about the length of time required to dispose of cases and the costs involved in the grievance process - particularly in apparently trivial or frivolous disputes.

Recommendation:

16. Because of the complexities involved in regard to the nature of an offense committed by an employee and its relationship to the performance of that employee's job, possible breach of trust and conflict of interest, and value for money expended, the Committee recommends that a general review of the grievance procedure, with a focus on the issues outlined above, be undertaken by the Management Board of Cabinet and the Civil Service Commission.



### Ontario Hydro

On its own initiative the Committee examined Ontario Hydro's contracts with Denison Mines and Rio Algom/Preston Mines Limited for uranium fuel supplies. The Committee met and discussed several matters with an official from Ontario Hydro and a representative of the Ministry of Energy. The major points at issue were the quantities of uranium for which Ontario Hydro had contracted and the price per pound paid for the fuel.

Ontario Hydro's contracts with Denison Mines and Rio Algom/Preston Mines Limited were finalized during February, 1978. The Corporation agreed to purchase 200 million pounds of uranium from Denison and 70 million pounds from Rio Algom/Preston. The contracts were set on a long-term basis and are due to last into the next century. The uranium price formula was based on the cost of production or a negotiated price, whichever is higher, plus a \$5 per pound profit margin for the mining companies. Although the exact price per pound for uranium paid by Ontario Hydro to Denison and to Rio Algom/Preston was not disclosed at the time when the contracts were signed, because of contract confidentiality, the estimated world market price in 1978 was between \$45 and \$55 Canadian per pound.

Since 1978 several events have occurred which have raised some questions about the uranium contracts. World uranium prices have fallen to between \$20 and \$30 Canadian per pound and Ontario Hydro's supply requirements have declined to the point that there is a possibility that the Corporation could be receiving, in the future, 2 million pounds of uranium per year more than it needs. The Committee was concerned that Ontario Hydro would be paying too much money for fuel in excess of its supply

requirements. There was also some concern expressed about interest-free capital advances paid by Ontario Hydro to the mining companies. The advances were for the purposes of developing mining facilities.

Committee discussion with officials from Ontario Hydro and the Ministry of Energy clarified a number of points about the uranium contracts. There have been some adjustments made in the contracts to reduce the quantities of uranium Ontario Hydro will have to buy. Further adjustments are also possible, and are provided for in the contracts. These adjustments could be of such a size as to eliminate any oversupply. As alternatives, the officials indicated that Ontario Hydro could stockpile the uranium or sell it to other utility companies. Currently Ontario Hydro is not oversupplied with uranium fuel and no oversupply condition could develop, if it ever does, until the 1990s.

The officials also indicated that, although the price for uranium fuel recently has declined sharply, the long-term price trend is not clear. If demand for electricity climbs or if there are disruptions in international supplies, the price for uranium could climb as rapidly as it fell. Officials also noted that quotations usually referred to as the "world price" of uranium are not reliable guides to what utilities pay for or can expect to pay for fuel on a long-term contract basis. In general, utility companies pay more for uranium in order to have guaranteed supplies. In part, the price paid by Ontario Hydro for uranium from Denison and Rio Algom/Preston, the officials said, reflects that Corporation's concern about security of supply. Although the uranium fuel might have a higher price than the so-called world price, the supply is secure, it is under Ontario's control, and there is enough uranium in the ore body to last out the life of the contract.

### Transfer Payments

Federal transfer payments to the Government of Ontario account for a substantial portion of the total budgetary revenue and constitute a major portion of the funding of social programs. In 1981, total Government of Canada payments to Ontario (exclusive of personal income tax collected by the federal government on behalf of the province) amounted to over \$3 billion (\$3,025,123,861), of a total budgetary revenue of \$15.5 billion (\$15,548,695,474).

The vast majority of transfer payments to Ontario are in the fields of health, education and social welfare. Until 1977, programs in those areas were funded by contributions from cost-sharing agreements. In 1971 these payments were consolidated and made by the federal government under the Established Programs Financing (EPF) Program in accordance with the Established Programs Financing Act, 1977.

Transfer payments are of crucial importance in determining provincial government activities in various areas. Because of their importance, certain changes in the current federal-provincial fiscal arrangements proposed by the federal government, were of major concern to the Committee. Consequently, the Deputy Minister of Treasury and Economics appeared with other Ministry officials before the Committee to outline Ontario's position and concerns in regard to the proposed changes.

The major points raised by the Deputy Treasurer were that:

- the federal government levered the provinces into costly joint funding arrangements for social programs and subsequently changed the funding mechanism to reduce the federal contribution and retrench on its financial commitments; and

- the federal government has manipulated dubious statistics in an attempt to show it is bearing a disproportionate share of program costs to justify substantial cuts in established programs financing (EPF).

The Deputy Treasurer's analysis was:

- under the pre-EPF arrangement, major social programs, such as hospital insurance, medicare and post-secondary education, were funded on a 50-50 cost-sharing basis;
- certain low-cost alternatives to hospital care were excluded from sharing, and thus spending was biased towards the most expensive but federally-assisted forms of health care, which tended to raise overall costs for the provinces - the program deliverers;
- the provinces entered into the cost-sharing agreements with a clear commitment from Ottawa that it would continue to finance a specified part of the costs, provided certain conditions were met;
- when the costs of the programs escalated rapidly, the federal government imposed ceilings on its contributions. In 1972 a cap was imposed on the growth of federal contributions to post-secondary education. Since 1978-79, this cap has been set at 10 percent. The legislation did not permit the imposition of ceilings on hospital insurance payments;
- these ceilings were a clear violation of the original agreements and were inequitable since they failed to recognize the provinces' limited flexibility in achieving economies in their delivery systems;



- in 1977 the EPF block funding arrangements replaced the previous cost-sharing arrangements for the three programs. The provinces welcomed this new arrangement, since it allowed them flexibility to determine their own spending priorities and find more efficient ways of providing services;
- it was understood that the burden of financial risk was passed to the provinces, since they became fully responsible for meeting the growing cost pressures in health and education. The flexibility granted to the provinces which allowed them to pursue economy and efficiency in program delivery, however, offset to some extent the assumption of this additional risk;
- EPF was a settlement for the termination of the revenue guarantee (a measure designed to reimburse provinces for losses in their revenue base due to the federal tax reforms of 1972). This revenue guarantee had become an important part of the provincial budgets by 1976;
- the financial settlement for the termination of the guarantee represented only 40 percent of its value at the time. Ontario's loss was estimated at over \$300 million in 1977-78 and has grown considerably since then;
- despite federal government assurances that EPF was a permanent arrangement, in 1979 Ottawa attempted to restrict the growth of its contributions through a two-percentage-point reduction in the EPF escalator. Although unsuccessful in this regard, the federal government achieved savings in intergovernmental transfers, cutting back in the funding of community services. For example, two years after its birth, the federal government terminated the community services contribution program;



- shortly after the introduction of EPF, Ottawa began to accuse the provinces of underfunding health and post-secondary education. The federal government's evidence of this was a high and rising federal share of costs of these programs. This was seen by the provinces as a clear violation of both the letter and the spirit of EPF, since there was never meant to be a close linkage between federal grants and provincial expenditures;
- the federal government has exaggerated its contribution to health and post-secondary education by defining provincial spending very narrowly. Contrary to federal government claims, total federal government contributions to health and post-secondary education have been dropping recently while provincial shares peaked in 1979;
- in the Minister of Finance's November budget, it was proposed that the revenue guarantee component of EPF be eliminated. This would involve a five-year cutback, resulting in a cut of \$1.9 billion to Ontario. Negotiations regarding this cut have not yet taken place;
- another proposal in the federal budget was to implement conditions on health and post-secondary education in 1983 to enforce greater federal control and visibility;
- Ontario, like the other provinces, has been working to extend the existing EPF formula, which has increased transfers at the rate of inflation (the EPF was linked to a three-year average of inflation in Canada). Collectively, the provinces advocate a one-year extension of the current system with an overall cap of 12 percent on total federal cash payments, which include the combination of equalization and EPF.

Other issues raised during the Committee's questioning of the witnesses included the possibility of the provinces opting out of the

tax collection agreements in order to mitigate some of the negative aspects perceived in regard to the federal tax measures; the equalization formula; the statistics on which the federal and provincial stands on EPF are based; the status of the health care system in Ontario; and the economic consequences for Ontario as a result of the federal government's investment and tax policies.

Comment:

Statistics used in this section of the report were valid for the time when the Committee discussed these matters during March, 1982.

Because of the scope of the issues involved in the discussion, the Committee reported to the Legislature on March 11, 1982, the following resolution:

In consideration of the decision of the Federal Government to change the existing Established Programs Financing legislation and the direct effect this will have upon our health, social welfare and post-secondary education programs, your Committee recommends:

That the Government of Ontario consider proposing as soon as possible the necessary time for a debate in the Legislature to provide opportunity for a full examination by the Members of the Provincial Parliament of the impact of the proposed changes,

And that the Government of Ontario request the Government of Canada to rescind its decision to act unilaterally on this fiscal arrangement by reopening its negotiation with the Provinces, in order to restore a climate of co-operative federalism, ensure maintenance of existing levels of service in health, social welfare and post-secondary education, and to avoid undue increases in fiscal and economic disparities.

### Estimates Review

The Public Accounts Committee examines the executive's expenditures, assessing them for their prudence and legality. The Committee considers whether the executive has operated with due regard for economy, efficiency, and effectiveness. It also ensures accountability in the administration and delivery of provincial programs and will make recommendations when they are warranted. But, by definition, the Public Accounts Committee can only deal with money that has already been spent. Legislative review of the executive's plans for future spending, through the Estimates process, is as essential to good provincial government as an effective Public Accounts Committee.

Unfortunately, the current practice of Estimates consideration in the Ontario Legislature is all but a total failure so far as examining projected government expenditures and evaluating the spending decisions underlying policy. The Procedural Affairs Committee makes precisely this point in its recent report, Proposals for a New Committee System, saying: "...financial accountability to Parliament is extremely limited. The Public Accounts Committee fosters accountability, but only by examining past spending to ensure that mistakes are not repeated. No one in Parliament is seriously examining the more than 17 billion dollars of annual public expenditure before it is spent."

Estimate debates occasionally serve as worthwhile forums for the discussion of policy. But for the most part, the Estimates are little more than an enormous yet pointless drain on the time of Members of the Assembly, Ministers, and ministry staff.

This Committee has a continuing concern with improving accountability in the spending of the tax-payers' dollars. We are also concerned that the comments made by the Royal Commission on Financial Management and Accountability in the Lambert Report, about the weaknesses of Estimates review in the House of Commons, are applicable to the Ontario Legislature.

Parliament has long been regarded as the guardian of the public purse. Because of its failure to live up to that expectation, over the past several years, Parliament must accept some share of the blame, along with the Canadian electorate, for the troubles that now beset us. . .

The key to Parliament's role as a body to which accountability is owed for the administration of government has always been the need for Parliament's approval of government expenditure and its power to review that expenditure. Parliament's ability to undertake this task, both at the time expenditure is proposed and after it has been made, must be reinforced and improved. . .we cannot agree that Parliament and the public are well served by a continued lack of attention to the content of the Estimates and the commitments expressed in them.

In drawing attention to the futility of the Estimates process, it is not the Committee's intention to propose expansion of its own terms of reference by giving it responsibility for Estimates review, although such a combination of functions is well established in other Commonwealth jurisdictions, such as New Zealand and the Northwest Territories. This Committee makes no recommendation on this topic, but does wish to draw attention to the discussion and recommendations on the Estimates process made by the Procedural Affairs Committee in its report, Proposals for a New Committee System, which is currently under review by the Legislature.

## COMMITTEE PROCEDURES AND OPERATIONS



Canadian Comprehensive Auditing Foundation

The Committee met on two occasions to discuss the Report of the Canadian Comprehensive Auditing Foundation entitled: Improving Accountability: Canadian Public Accounts Committees and Legislative Auditors. The CCAF is a national, non-profit, co-operative, research and training-oriented organization established to promote the concept of value-for-money in expenditures of governments and publicly-funded bodies. The principal objective of the Foundation is to serve as a focal point for collecting and communicating comprehensive auditing knowledge and experience.

The CCAF Report examines Public Accounts Committees and Legislative Auditors across Canada. It provides a comparative description of their individual characteristics and operations, and identifies the various features that seem to contribute to effective operations. The Report outlines sixty-nine recommendations, based on existing practices, which are intended to assist each Canadian Legislature to construct a model system of accountability.

The Ontario Public Accounts Committee concurs with the vast majority of recommendations contained in the Report, and already operates in accordance with most of the recommended procedures. There are, however, certain recommendations which the Committee feels would not enhance its operations.

In the past, the Committee has functioned well with the participation of 12 members. This has allowed greater and more diverse input into Committee proceedings, and has enhanced the quality of the proceedings. Consequently, recommendation number 8, which states that the size of the Committee be limited to between 5 and 11 members, is not accepted.

Similarly, the Committee believes that the Committee of the whole is necessary to allow each individual member an opportunity to determine the agenda and provide input into the development of Committee reports. Therefore, recommendation number 14, which states that a steering committee be appointed to perform these functions, is not accepted.

In addition, the Committee feels that it would be inadvisable to recommend that the Provincial Auditor work toward the goal of completing his annual reports within six months after the fiscal year end, and have his opinions and comments on the financial statements incorporated in the Public Accounts. Consequently, the Committee does not concur with recommendation number 43 of the CCAF Report.

Certain Committee procedures comply in part with some of the Foundation's recommendations. However, the Committee endorses these recommendations for Public Accounts Committees and Legislative Auditors, and has taken steps to officially implement them. These recommendations are as follows:

1. Each Public Accounts Committee prepare and adopt a formal written statement that describes the committee's role and responsibilities. (No. 1.)
2. The written statement of role and responsibilities comprise a general statement of purpose and a list of issues that the committee is to examine, assess, report on to the Legislature, and follow up with the administration, including:
  - the reliability and appropriateness of information in the Public Accounts to provide a full and fair accounting of operations and financial transactions;
  - the collection of, and proper accounting for, all taxes and other revenues due;
  - the maintenance of expenditures within the limits and for the purpose authorized by the legislature;
  - the adequacy of safeguards to protect assets from loss, waste and misappropriation;

- the regard for economy in the acquisition of goods and services;
  - the regard for efficiency in operations; and
  - the effectiveness of programs in achieving their stated objectives. (No. 2.)
3. Chairmen of Public Accounts Committees explain to witnesses their legal position in regard to future actions that may arise from testimony. (No. 6.)
  4. Chairmen play a leading role in all aspects of committee work and participate in the questioning of witnesses and in other committee deliberations. (No. 11.)
  5. Committees arrange for suitable briefing material to be available to members prior to hearings, and if necessary set time aside to review it. (No. 23.)
  6. Procedures for questioning witnesses be adopted that permit productive lines of questioning to be taken to their conclusion and allow all members an opportunity to participate. (No. 29.)
  7. Public Accounts Committees concentrate their attention on significant issues of management and financial administration rather than on isolated, unimportant, individual transactions. (No. 30.)
  8. Public Accounts Committees adopt an effective procedure for following up their recommendations with the administration. (No. 34.)
  9. Auditors be required by legislation to express an opinion on the financial statements and the accounting policies underlying them. (No. 35.)
  10. Auditors be given legislative authority to obtain any information or documents they require from Crown organizations or their auditors, and to conduct any further examinations that they deem necessary. (No. 42.)
  11. Public Accounts Committees discuss with Auditors the most appropriate manner in using the services of the audit office to follow up committee recommendations. (No. 69.)

Motion Re: Hornepayne  
Hallmark Town Centre

On November 18, 1982, Mr. Bud Wildman filed notice of a motion that:

Pursuant to Section 16 of the Audit Act, the Committee request the Provincial Auditor to conduct a full review of the Hornepayne Hallmark Town Centre project and the provincial government's involvement in it, including a review of the cost-effectiveness of the provincial capital investment in the project.

The motion was discussed on November 25, 1982 and it was withdrawn at that time, on the understanding that the Provincial Auditor would conduct a review of the project and include it in the Annual Report for the year ending March 31, 1983.

## DISSENTING OPINION

Although we regret having to do so, the actions of the Conservative majority on the Committee compel us to register dissenting opinions on two matters:

### 1. Federal-Provincial Transfer Payments

We believe that the Committee's treatment of federal-provincial transfers has seriously compromised the Committee's non-partisan approach to its work and has reduced the Committee's credibility and reputation for fairness.

The Committee heard from the Deputy Treasurer the Ontario Government's position attacking the federal government over transfer payments. This unacceptably political statement by a civil servant was bad enough, but the Conservative majority refused to invite representatives of the Government of Canada to explain the federal position. The Deputy Treasurer's comments may well be accurate, but surely the fairness essential in an effective Public Accounts Committee would require the Committee to hear both sides of such a complex, controversial issue before reaching any conclusions and issuing a report. This was not done; instead, the Conservatives used the Committee in a blatant partisan attack on the federal Government.

We find this action highly objectionable and harmful to the work of the Committee.

### 2. Government Advertising

The Ontario Government now spends approximately \$40 million a year on advertising, making it the country's sixth largest advertiser. Moreover, in a time when the Government preaches restraint, spending on



advertising is skyrocketing. Money spent on advertising and communications has jumped 360 per cent in the last five years. In the year leading up to the last election, government advertising went up a staggering 68 per cent.

In spite of this huge amount of public money being spent on advertising, and the potential for waste and abuse, the Conservative majority permitted the Committee to look into this matter for less than two hours and has repeatedly blocked attempts by both opposition parties to look into government advertising more thoroughly.

It is the job of the Public Accounts Committee to ensure that the taxpayers are getting value for money in the spending of public funds. The Conservative majority refuses to allow the Committee to get on with its job, even though, as the majority report states, the person who spoke to the Committee on government advertising was unable to answer many of the Committee's questions because the decisions are made in individual ministries.

In fact, the most obvious conclusion to be drawn from the presentation made to the Committee was that no one in the Ontario Government really knows what's going on in terms of advertising and that the whole area is completely out of control.

We do not object to government advertising per se; it can be used to convey important information to the public about government programmes. It is important, however, to distinguish between advertising for information and advertising for propaganda. So-called "advocacy advertising" and other propaganda-type advertising require strict guidelines to ensure that they are not partisan. No such guidelines exist. Nor could we find any evidence that there are any clearly stated objectives for government advertising or evaluation of the success of government advertising in meeting its objectives. Proper management

demands clear objectives and thorough evaluation, but the evidence points instead to an expensive, out of control, network of propaganda advertising.

The Government continues to use its majority on the Committee to prevent the Committee from doing its duty as the watchdog of public spending by carrying out a detailed scrutiny of all facets of government advertising. What is the Government trying to hide?

Jim Bradley, MPP  
Eric Cunningham, MPP  
Ed Philip, MPP  
Ed Sargent, MPP  
Bud Wildman, MPP

## SUMMARY OF RECOMMENDATIONS

1. The Committee recommends that the Ministry of the Attorney-General should seek specific authority for the payment of limousine services for Supreme Court judges.
2. The Committee believes that substantial effort should be made by the Ministry of Energy to obtain maximum value for money expended. The Ministry should also increase its efforts to eliminate provincial-federal program and publication duplication and overlap. Initiatives undertaken by the Ministry with its federal counterpart to improve the co-ordination of programs and publications and to eliminate duplication, are strongly endorsed and recommended by the Committee. Measures aimed at fostering co-operation and consultation between the provincial and federal jurisdictions in the field of energy are also recommended.
3. The Committee is concerned that expenditures on the generation of publicity through paid advertising or other means of communication for energy-related programs, are -- and are shown to be -- cost-effective. In order to ensure that cost-effectiveness is achieved, the Committee recommends that such expenditures be justified by periodic evaluations or surveys of campaigns demonstrating their effectiveness.
4. In regard to the purchase of consulting services, the Committee believes that the requirements outlined in the Ontario Manual of Administration regarding tendering should not distinguish between management and technical consulting services. The Committee therefore recommends that the procedures to be followed when tendering for management consulting services, as outlined in the Ontario Manual of Administration also be followed in regard to tendering for technical consulting services.

5. The Committee recommends that employee contracts should be reviewed prior to their scheduled expiry to allow the opportunity to determine if the services continue to be required, and if so, to continue them through an arrangement that maximizes cost-efficiency. The fee structure should not change unless the duties and responsibilities of the employees also change substantially such that a pay increase is clearly warranted. Further, except in exceptional circumstances, employees whose contracts have been allowed to expire should not be rehired as consultants by the same employer until a reasonable period of time has elapsed, and only when the circumstances clearly warrant this procedure.

The Committee accepts and endorses the concept of increasing the representation of women in currently under-represented modules and categories in Ontario public service positions.

6. However, the Committee believes that in certain instances, the long-term objective of 30 percent representation by the year 2000 is not likely to be met under current circumstances. The Committee therefore recommends that the Ministry should improve opportunities for training women to insure that goals are met.
7. The Committee further recommends that the Ministry endeavour to improve its methods for projecting the future availability of qualified women for certain public service occupations so that the targets may be accommodated to more realistically reflect both the status of the vacancies and the number of qualified women candidates for those vacancies.
8. The Committee recommends that the Ministry of Revenue ensure that an adequate number of well-informed personnel are in place to answer questions and process applications for Ontario Pensioners Property and Sales Tax Grants.

9. During the course of discussion the Committee discovered that the Provincial Secretariat distributes hats, buttons, and other promotional paraphernalia to students in its program. The Committee believes that such items are unnecessary and recommends that they not be purchased or distributed. The money saved could be used for additional employment opportunities.
10. The Committee further recommends that the Provincial Secretariat for Social Development develop adequate methods of monitoring the effectiveness of the Experience Program in order to ensure that the Program benefitted both the employee and the Ministry.
11. In view of the Liquor Control Board's sales in 1981 of \$1,182,784,469, and its net income for the year of \$443,383,433, the Committee recommends that the Provincial Auditor should undertake a management audit of selected operations of the Board.
12. The Committee recommends that Management Board of Cabinet should inform agency heads fully of their responsibilities and hold the agency heads accountable for their actions and performance.
13. Management Board Secretariat and the Provincial Auditor should work toward developing a mutually acceptable definition of and means for measuring productivity in word processing.
14. The Committee recommends that immediate action be taken by the Ministry of Government Services to develop contingency plans for computer system disruption and/or disaster.
15. The Committee recommends that the Management Board of Cabinet specify in the printed Estimates the service component, such as costs for advertising, computers, and so forth.



16. Because of the complexities involved in regard to the nature of an offense committed by an employee and its relationship to the performance of that employee's job, possible breach of trust and conflict of interest, and value for money expended, the Committee recommends that a general review of the grievance procedure, with a focus on the issues outlined above, be undertaken by the Management Board of Cabinet and the Civil Service Commission.

APPENDIX 1:

MINUTES

STANDING COMMITTEE ON PUBLIC ACCOUNTS

INTERVAL BETWEEN THE FIRST AND SECOND PARLIAMENT

TUESDAY, JANUARY 19, 1982

COMMITTEE ROOM 228

ATTENDANCE:

Chairman: Mr. Reid (Rainy River)

Members: Messrs. Bradley, DiSanto Kolyn, Philip, Pollock, Sargent,  
Mrs. Scrivener, Mr. Villeneuve

Substitutions: Mr. Conway for Mr. Cunningham  
Mr. Eaton for Mr. Yakabuski  
Mr. MacQuarrie for Mr. Gordon

In attendance: Office of the Provincial Auditor

Mr. D. Archer, Provincial Auditor

Mr. K. Leishman, Director, Reporting and Standards  
Branch

Research Officer: Mrs. Margaret Vokes,  
Legislative Research Service.

PROCEEDINGS:

The Chairman called the meeting to order at 10:08 a.m.

Mrs. Scrivener moved that Mr. Kolyn be elected Vice-Chairman of the Committee.

CARRIED.

Mr. Kolyn moved that the Committee proceed to review its agenda for the current set of hearings.

After some time, it was agreed that the disposition of Mr. Kolyn's motion would be deferred.

WITNESSES:

Ministry of Labour:

Mr. T. E. Armstrong, Deputy Minister

Mrs. Barbara Speakman, Director, Women Crown Employees Office

Mrs. Rita Burak, Executive Director, Finance and Administration

The Committee considered section 2.17 of the Provincial Auditor's Report for 1980-81.

Mr. Kolyn moved that the following matters be considered by the Committee during the week of January 19, 20 and 21:

- Visit to the Provincial Auditor's Office.
- Section 2.20 "Systems and Other Deficiencies re Payment of Ontario Pensioners Property and Sales Tax Grants" Ministry of Revenue
- Section 2.3 "Limousine Services" Ministry of the Attorney General
- Section 2.21 "Comments and Recommendations re Experience Program" Provincial Secretariat for Social Development
- Section 2.23 "Implementation Gaps re Strategic Policy Development and Planning Process" Ministry of Transportation and Communications
- Section 2.24 "Simplification of Workload and Improvement in Internal Controls Recommended" Ministry of Transportation and Communications

- 2 -

- Section "Weaknesses in Agents' Direct Deposit System" Ministry  
2.25 of Transportation and Communications

After some time, it was agreed that the Committee would consider the following sections of the Provincial Auditor's Report for 1980-81: 2.3; 2.20; 2.21; 3.6.

The Committee adjourned for lunch from 12:31 p.m., until 2:11 p.m.

## WITNESSES:

Ministry of Energy

Mr. Glenn Thompson, Deputy Minister  
Mr. Douglas E. Carl, Director, Energy Conservation Section  
Mr. Paul E. Pinnington, Policy Co-ordinator, Fuels and Raw Materials  
Section  
Mr. Michael Van Dusen, Director, Communications Group

The Committee then heard a presentation from the Provincial Auditor and asked questions of the Auditor.

The Committee considered sections 2.11 and 2.13 of the Provincial Auditor's Report for 1980-81.

## EXHIBITS:

The following exhibits were filed with the Committee:

- Exhibit 1 Letter, dated January 11, 1982, to Chairman from the Provincial Auditor, detailing responses of various ministries to the Provincial Auditors Report for 1980-81 not received in time to be included in the report
- Exhibit 2 Ministry of Energy "10 Proven Ways to Save Gasoline" pamphlet; "Conserving Energy Finds Strong Support in Ontario Survey" press release dated April 18, 1980
- Exhibit 3 Office of the Provincial Auditor, Organization Chart, dated January 15, 1982, with additional material related to staffing.

## ADJOURNMENT:

At 4:19 p.m., the Committee adjourned until 10:00 a.m., Wednesday, January 20, 1982.

Graham White

Graham White,  
Clerk of Committee.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

INTERVAL BETWEEN THE FIRST AND SECOND PARLIAMENT

WEDNESDAY, JANUARY 20, 1982

COMMITTEE ROOM 228

ATTENDANCE:

Chairman: Mr. Reid (Rainy River)

Members: Messrs. Bradley, DiSanto, Gordon, Kolyn, Philip, Pollock,  
Sargent, Mrs. Scrivener, Mr. Villeneuve

Substitutions: Mr. Conway for Mr. Cunningham  
Mr. MacQuarrie for Mrs. Scrivener  
Mr. Eaton for Mr. Yakabuski

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards Branch

Mrs. Margaret Vokes, Legislative Research Service

PROCEEDINGS:

The Vice-Chairman called the meeting to order at 10:21 a.m.

WITNESSES:

Ministry of the Attorney-General

Mr. Blenus Wright, Assistant Deputy Attorney General, Crown Law Office  
(Civil)

Mr. B. W. McLoughlin, Assistant Deputy Attorney General and Director of  
Courts Administration

The Committee adjourned for lunch from 11:20 a.m., until 2:11 p.m.

WITNESSES:

Ministry of Revenue

Mr. T. R. Russell, Deputy Minister

Mr. R. J. Weiers, Assistant Deputy Minister, Tax Revenue Program

Mr. J. Moxley, Senior Administrator

The Committee considered section 2.20 of the Provincial Auditor's Report  
for 1980-81.

EXHIBITS:

The following exhibits were filed with the Committee:

Exhibit 4 Office of the Provincial Auditor, Staff Summary, supplement  
to information provided to committee on January 19, 1982.

ADJOURNMENT:

At 4:27 p.m., the Committee adjourned until 10:00 a.m., Thursday,  
January 21, 1982.



Graham White,  
Clerk of the Committee.



## STANDING COMMITTEE ON PUBLIC ACCOUNTS

INTERVAL BETWEEN THE FIRST AND SECOND SESSIONS, THIRTY-SECOND PARLIAMENT

THURSDAY, JANUARY 21, 1982

COMMITTEE ROOM 228

## ATTENDANCE:

Chairman: Mr. Reid (Rainy River)

Members: Messrs. Bradley, DiSanto, Gordon, Kelyn, Philip, Pollock,  
Mrs. Scrivener, Mr. VilleneuveSubstitutions: Mr. Eaton for Mr. Yakabuski  
Mr. Conway for Mr. Cunningham

Other Member Present: Mr. Gillies

In Attendance: Office of the Provincial Auditor

Mr. D. Archer, Provincial Auditor

Mr. K. Leishman, Director, Reporting and Standards Branch

Mrs. Margaret Vokes, Legislative Research Service

## PROCEEDINGS:

The Chairman called the meeting to order at 10:13 a.m.

## WITNESSES:

Liquor Licence Board of Ontario

Mr. Willis Blair, Chairman

Mr. Paul Boukouris, Director of Administration

Mr. David Mitchell, Director, Investigation and Enforcement Branch,  
Ministry of Consumer and Commercial RelationsThe Committee considered section 3.6 of the Provincial Auditor's Report  
for 1980-81.

Mr. Philip moved that the document entitled "Liquor Licence Board of Ontario Special Review" and the letter to the Provincial Auditor from the Deputy Minister of Consumer and Commercial Relations, dated October 19, 1981, be deemed confidential and all copies of these documents already distributed be returned to the Clerk of the Committee for inspection by Members of the Committee or the Committee Research Officer at a later time.

After some time, the disposition of Mr. Philip's motion was stood down.

Mr. Philip moved that Mr. D. A. Crosbie, Deputy Minister of Consumer and Commercial Relations, be called before the Committee at a time after transcripts of today's meetings are made available to Members of the Committee.

CARRIED.

The Committee adjourned for lunch from 12:31 p.m., until 2:14 p.m.

## WITNESSES:

Provincial Secretariat for Social DevelopmentMr. N. Mealing, Executive Co-ordinator of Policy Field and Acting  
Deputy Provincial Secretary

Mr. W. Wolfson, Executive Secretary, Ontario Youth Secretariat

The Committee considered section 2.21 of the Provincial Auditor's Report for 1980-81.

Mr. Philip withdrew his motion respecting documents provided to the Committee by the Provincial Auditor.

It was agreed that the Committee would meet on March 3, 4 and 5, 1982, to consider the following matters:

- transfer payments and accounts receivable
- public service grievance boards and grievance procedures
- the Liquor Licence Board of Ontario and the Liquor Control Board of Ontario

EXHIBITS:

The following exhibits were filed with the Committee:

- Exhibit 5 Ontario Youth Secretariat, "Experience '81 Guide Book"
- Exhibit 6 Ontario Youth Secretariat, "Experience '81 News", August 1, 1981
- Exhibit 7 Committee Research Officer, Briefing Materials for meetings of January 19, 20 and 21, 1982, respecting:
- S. 2.11: Lack of Due Regard for Economy, Ministry of Energy
  - S. 2.13: Non-Compliance with Procedures and other Matters re Purchase of Consulting Services, Ministry of Energy
  - S. 2.17: Improvements in Affirmative Action Program Delivery Recommended, Women Crown Employees Office, Ministry of Labour
  - S. 2.23: Implementation Gaps re Strategic Policy Development and Planning Process, Ministry of Transportation and Communications
  - S. 2.24: Simplification of Workload and Improvement in Internal Controls Recommended, Vehicle Licensing System, Ministry of Transportation and Communications
  - S. 2.25: Weaknesses in Agents' Direct Deposit System, Ministry of Transportation and Communications
  - S. 3.6: Administrative Deficiencies, Liquor Licence Board
- Exhibit 8 Committee Research Officer, Briefing Materials for meeting of January 21, 1982, respecting S.2.21, Comments and Recommendations re Experience Program, Provincial Secretariat for Social Development
- Exhibit 9 Committee Research Officer, Briefing Materials for meeting of January 20, 1982, respecting S. 2.20 Systems and Other Deficiencies re Payment of Ontario Pensioners Property and Sales Tax Grants, Ministry of Revenue
- S. 2.3 Limousine Services, Ministry of the Attorney General

ADJOURNMENT:

At 3:37 p.m., the Committee adjourned until 10:00 a.m., Wednesday, March 3, 1982.

*Graham White*  
Graham White,  
Clerk of Committee.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

INTERVAL BETWEEN THE FIRST AND SECOND SESSIONS, THIRTY-SECOND PARLIAMENT  
MEETING NUMBER 4

WEDNESDAY, MARCH 3, 1982

ORDER:

The Chairman called the meeting to order at 10:17 a.m.

ATTENDANCE:

Chairman: Mr. Reid (Rainy River)

Members: Messrs. Bradley, Cunningham, DiSanto, Gordon, Kelyn,  
Philip, Mrs. Scrivener, Messrs. Villeneuve,  
Yakabuski

Substitutions: Mr. Miller (Haldimand-Norfolk) for Mr. Sargent  
Mr. Shymko for Mr. Pollock

Other Members: Mr. Conway

In attendance: Office of the Provincial Auditor:

Mr. Douglas Archer, Provincial Auditor  
Mr. Ken Leishman, Director, Reporting and Standards  
Branch

Researcher: Ms. Margaret Vokes, Legislative Research Service

Witnesses: Mr. J. F. W. Weatherill, Chairman  
Crown Employees' Grievance Settlement Board  
Professor C. G. Simmons, Chairman  
Public Service Grievance Board

PROCEEDINGS:

The Committee questioned the witnesses, Messrs. Weatherill and Simmons.

The Committee recessed for lunch from 12:10 a.m. until 2:18 p.m.

The Committee then discussed the organization of its business.

On motion by Mr. Cunningham, the Committee met in camera to discuss  
certain matters.

ADJOURNMENT:

At 3:22 p.m., the Committee adjourned until 10:00 a.m., Thursday,  
March 4, 1982.



Graham White,  
Clerk of Committee.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

INTERVAL BETWEEN THE FIRST AND SECOND SESSION, THIRTY-SECOND PARLIAMENT

MEETING NUMBER 5

THURSDAY, MARCH 4, 1982

ORDER:

The Chairman called the meeting to order at 10:16 a.m.

ATTENDANCE:

Chairman: Mr. Reid (Rainy River)

Members: Messrs. Bradley, Cunningham, DiSanto, Gordon, Kolyn,  
Philip, Pollock, Mrs. Scrivener, Messrs. Villeneuve,  
Yakabuski

Substitutions: Mr. Miller (Haldimand-Norfolk) for Mr. Sargent

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Laishman, Director, Reporting and Standards  
Branch

Research Officer: Ms. Margaret Vokes, Legislative  
Research Service

Witnesses: Ministry of Treasury and Economics

Mr. Tom Campbell, Deputy Treasurer

Mr. A. W. Nethery, Director, Financial Information and  
Accounting Policy Branch

Mr. H. M. Ploeger, Director, Intergovernmental Finance  
Policy Branch

Ms. Jill Logan, Senior Advisor, Intergovernmental Finance  
Policy Branch

PROCEEDINGS:

The Committee discussed its invitation to Mr. Eber Rice to attend the Committee meeting of March 5, 1982. It was agreed that the Committee would not withdraw its invitation to Mr. Rice.

The Committee then considered the matter of federal-provincial transfer payments.

The witnesses, Messrs. Campbell, Ploeger and Nethery and Mrs. Logan made statements and answered questions.

The Committee recessed for lunch from 12:06 p.m., until 1:09 p.m.

At 1:13 p.m., the Vice-Chairman assumed the Chair.

At 2:02 p.m., the Chairman resumed the Chair.

EXHIBITS:


The following exhibits were filed with the Committee:

Exhibit 10 Notes for a Statement on Federal-Provincial Fiscal Arrangements by Tom Campbell, Deputy Treasurer of Ontario, March 4, 1982

Exhibit 11 Background Materials on Federal-Provincial Fiscal Arrangements, provided by Ministry of Treasury and Economics

ADJOURNMENT:

At 4:07 p.m., the Committee adjourned until 10:00 a.m., Friday, March 5, 1982.

  
Graham White,  
Clerk of Committee.



## STANDING COMMITTEE ON PUBLIC ACCOUNTS

INTERVAL BETWEEN THE FIRST AND SECOND SESSIONS, THIRTY-SECOND PARLIAMENT  
MEETING NUMBER 6

FRIDAY, MARCH 5, 1982

ORDER: The Chairman called the meeting to order at 10:17 a.m.

ATTENDANCE: Chairman: Mr. Reid (Rainy River)

Members: Messrs. Bradley, Cunningham, DiSanto, Kolyn, Philip, Pollock,  
Mrs. Scrivener, Messrs. Villeneuve, Yakabuski

Substitutions: Mr. Miller (Haldimand-Norfolk) for Mr. Sargent  
Mr. Hennessey for Mr. Gordon

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards  
Branch

Research Officer: Ms. Margaret Vokes,  
Legislative Research Service

WITNESSES:

Mr. Donald Crosbie, Deputy Minister of Consumer and Commercial  
Relations

Mr. Eber Rice, former Chairman, Liquor Licence Board of Ontario

PROCEEDINGS:

The Committee resumed consideration of section 3.6 of the Provincial  
Auditor's Report for 1980-81, respecting the Liquor Licence Board  
of Ontario.

The witness, Mr. Rice, invoked the protection of The Canada Evidence Act  
and The Ontario Evidence Act with respect to his evidence before the  
Committee, and was warned by the Chairman that the applicability of  
these statutes to legislative proceedings was uncertain.

The witness, Mr. Rice, then made statements and answered questions.

It was agreed that the Committee would continue with its consideration  
of the Liquor Licence Board and re-schedule its consideration of the  
Liquor Licence Board of Ontario.

Mrs. Scrivener moved:

THAT the Committee report to the House as follows:

In consideration of the decision of the Federal Government to change  
the existing Established Programs Financing legislation and the direct  
effect this will have upon our health, social welfare and post-secondary  
education programs,

Then, this Public Accounts Committee recommends that the Government of  
Ontario consider proposing as soon as possible the necessary time for  
a debate in the Legislature to provide opportunity for a full examina-  
tion by the Members of the Provincial Parliament of the impact of the  
proposed changes,

And also, that the Government of Ontario request the Government of  
Canada to rescind its decision to act unilaterally on this fiscal ar-  
rangement by reopening its negotiation with the Provinces, in order  
to restore a climate of co-operative federalism, ensure maintenance  
of existing levels of service in health, social welfare and post-  
secondary education, and to avoid undue increases in fiscal and economic  
disparities.

Mr. Bradley moved that the motion be amended by deleting the first two  
paragraphs of the proposed report.



LOST.

Mr. Bradley moved that the motion be amended by deleting the first paragraph of the proposed report

LOST.

The main motion was then CARRIED.

The Committee then recessed for lunch from 12:12 p.m., until 2:15 p.m.

The witness, Mr. Crosbie, made statements and answered questions.

It was agreed that the Committee would next meet on Thursday, March 18, 1982, to consider the report of the Canadian Comprehensive Auditing Foundation, Improving Accountability, and to set its future agenda.

EXHIBITS:

The following exhibits were filed with the Committee:

Exhibit 12 Correspondence between the Provincial Auditor and the Deputy Attorney General, respecting interpretation of The Audit Act, 1977.

Exhibit 13 Committee Research Officer, Briefing Materials on:

- Crown Employees Grievance Settlement Board
- Public Service Grievance Board
- Liquor Licence Board of Ontario
- Liquor Control Board of Ontario
- Transfer Payments and Accounts Receivable

Exhibit 14 Committee Research Officer: Briefing materials re Grievance Settlement Board decision re Ronald Knudson and the LLBO; including complete text of Grievance Settlement Board decision of March 10, 1981

Exhibit 15 Committee Research Officer: Memorandum on Grievance Board Statistics

ADJOURNMENT:

At 4:07 p.m., the Committee adjourned until 10:00 a.m., Thursday, March 19, 1982.

*Graham White*

Graham White,  
Clerk of Committee.

SECOND SESSION, THIRTY-SECOND PARLIAMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 1

THURSDAY, MARCH 18, 1982

ORDER:

The Chairman called the meeting to order at 10:17 a.m.

ATTENDANCE:

Chairman: Mr. Reid (Rainy River)

Members: Messrs. Bradley, Cunningham, Havrot, Philip, Sargent,  
Mrs. Scrivener, Messrs. Taylor (Prince Edward-Lennox),  
Wildman, Yakabuski

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor  
Mr. Jim Otterman, Deputy Provincial Auditor

PROCEEDINGS:

The Committee considered the organization of its business.

It was agreed that on April 1, 1982, the Committee would consider the report of the Canadian Comprehensive Auditing Foundation, Improving Accountability, and would also consider its future business.

It was further agreed that the matter of Liquor Licence Board of Ontario would be reconsidered by the Committee on April 8, 1982, and that the following be invited to appear:

Honourable Frank Drea, MPP  
Honourable Gordon Walker, Q.C., MPP  
Mr. Donald Crosbie  
Mr. David Mitchell  
Mr. Eber Rice

ADJOURNMENT:

At 10:32 a.m., the Committee adjourned until 10:00 a.m., Thursday, April 1, 1982.



Graham White,  
Clerk of Committee.

STANDING COMMITTEE ON PUBLIC ACCOUNTS  
SECOND SESSION, THIRTY-SECOND PARLIAMENT  
MEETING NUMBER 2

THURSDAY, APRIL 1, 1982

ORDER:

The Chairman called the meeting to order at 10:17 a.m.

ATTENDANCE:

Chairman: Mr. Reid (Rainy River)

Members of the Committee: Messrs. Cunningham, Havrot, Kennedy, Kolyn,  
Philip, Sargent, Mrs. Scrivener,  
Taylor (Prince Edward Lennox)

Substitution: Mr. Miller (Haldimand-Norfolk)

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor  
Mr. Ken Leishman, Director, Reporting and Standards  
Branch  
Ms. Margaret Vokes, Research Officer, Legislative  
Research Service

PROCEEDINGS:

The Committee reconsidered its invitation to the Minister of Industry and Trade and to Mr. Eber Rice to appear before the Committee with respect to matters relating to the Liquor Licence Board of Ontario.

It was agreed that the invitations to the Minister and to Mr. Rice should be withdrawn.

The Committee then considered the organization of its business.

It was agreed that the following matters would be considered by the Committee during April, May and June, and in the following order

- 1) Liquor Licence Board of Ontario
- 2) 2.23 Implementation Gaps re Strategic Policy Development and Planning Process, Ministry of Transportation and Communications
- 2.24 Simplification of workload and Improvement in Internal Controls Recommended, Vehicle Licensing System, Ministry of Transportation and Communications
- 2.25 Weaknesses in Agents' Direct Deposit System, Ministry of Transportation and Communications
- 3) 3.11 Deficiencies in Control and Disposal of Salvaged Goods, Star Transfer Limited
- 4) Briefing on Computers
- 5) Provincial Auditor's Report on Computers in the Ontario Government
- 6) 2.12 Management Control Deficiencies re Word Processing Centre, Ministry of Energy
- 2.15 Refinements in Contingency Plans Recommended re Government Computer Centres, Ministry of Government Services
- 7) Government Advertising
- 8) 3.8 Improvements in Administration of Mortgages Recommended, Ontario Junior Farmer Establishment Loan Corporation
- 9) Liquor Control Board of Ontario
- 10) 3.12 Improved Internal and Administrative Controls Recommended, Urban Transportation Development Corporation Ltd. ... 2

11) Consideration of recommendations

It was further agreed that the following matters would be considered by the Committee in the Fall:

- 1) 2.9 Deficiencies in Lotteries Branch  
Reporting System, Ministry of Consumer and Commercial Relations
- 2) Ontario Hydro uranium contract with Denison Mines

On motion by Mr. Cunningham, the Committee met in camera to consider the Report of the Canadian Comprehensive Auditing Foundation, Improving Accountability

EXHIBITS:

The following exhibits were filed with the Committee:

Exhibit 16 Committee Research Officer, "Subject Areas Reviewd 1976-82"

ADJOURNMENT:

At 12:03 p.m., the Committee adjourned until 10:00 a.m., Thursday, April 8, 1982.

*Graham White*

Graham White,  
Clerk of Committee



SECOND SESSION, THIRTY-SECOND PARLIAMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 3

APRIL 8, 1982

ORDER:

The Chairman called the meeting to order at 10:13 a.m.

ATTENDANCE:

Chairman: Mr. Reid (Rainy River)

Members of the Committee: Messrs. Bradley, Cunningham, Havrot, Kolyn, Philip, Mrs. Scrivener, Messrs. Taylor (Prince Edward-Lennox), Wildman

Substitutions: Mr. Villeneuve for Mr. Yakabuski  
Mr. Pollock for Mr. Kennedy

Appearing: Hon. Frank Drea, Minister of Community and Social Services

Witness: Mr. Donald Crosbie, Deputy Minister of Consumer and Commercial Relations

In attendance: Mr. Douglas Archer, Provincial Auditor  
Mr. Ken Leishman, Director, Reporting and Standards Branch

Ms. Margaret Vokes, Research Officer, Legislative Research Services

PROCEEDINGS:

The Committee considered matters relating to administration of the Liquor Licence Board of Ontario.

The Minister of Community and Social Services made a statement and answered questions from Members of the Committee.

The witness, Mr. Crosbie, answered questions from Members of the Committee.

The Committee then discussed the organization of its business.

It was agreed that the Committee would further consider the report of the Canadian Comprehensive Auditing Foundation, Improving Accountability, at its next meeting.

The following documents were filed with the Committee:

Exhibit 17 Committee Research Officer, "Summary of Witnesses' Testimonies at Meeting of March 5, 1982,  
Re: LLBO and Outline of Outstanding Issues"

Exhibit 18 Responses of Ministries to 1981 Committee Report

Exhibit 19 Supplementary information from Deputy Minister of Energy relating to Committee meeting of January 19, 1982

Exhibit 20 Letter, dated April 1, 1982, to Clerk from Mr. Michael J. Sullivan, President, Ontario Liquor Boards Employees' Union, with attachments.

ADJOURNMENT:

At 12:07 p.m., the Committee adjourned until 10:00 a.m., Thursday, April 15, 1982.

*Graham White*

Graham White,  
Clerk of Committee.



STANDING COMMITTEE ON PUBLIC ACCOUNTS  
SECOND SESSION, THIRTY-SECOND PARLIAMENT  
MEETING NUMBER 4  
THURSDAY, APRIL 15, 1982

ORDER: The Chairman called the meeting to order at 10:23 a.m.

ATTENDANCE: Chairman: Mr. Reid (Rainy River)

Members of the Committee: Messrs. Cunningham, Kolyn, Philip, Sargent,  
Mrs. Scrivener, Messrs. Taylor (Prince Edward-  
Lennox), Wildman

Substitutions: Mr. Villeneuve for Mr. Kennedy  
Mr. Pollock for Yakabuski  
Mr. McLean for Mr. Havrot

In attendance: Mr. Douglas Archer, Provincial Auditor  
Mr. Ken Leishman, Director, Reporting and Standards  
Branch, Office of the Provincial  
Auditor

Ms. Margaret Vokes, Research Officer, Legislative  
Research Service

The Committee considered its budget for 1982-83

Mr. Villeneuve moved that the proposed budget, in the amount of  
\$28,106, be approved and the Chairman authorized to present the  
budget to the Board of Internal Economy.

CARRIED (copy attached)

The Committee then considered the report of the Canadian Comprehensive  
Auditing Foundation, Improving Accountability.

Mr. Philip moved that the Committee appoint a steering committee to  
plan the work and to bring forward draft reports.

LOST

It was agreed that the Committee endorse the following recommendations  
for Public Accounts Committees and Legislative Auditors, as set out in  
Improving Accountability:

1. Each Public Accounts Committee prepare and adopt a formal written  
statement that describes the committee's role and responsibilities.
2. The written statement of role and responsibilities comprise a  
general statement of purpose and a list of issues that the com-  
mittee is to examine, assess, report on to the legislature, and  
follow up with the administration, including:
  - the reliability and appropriateness of information in the  
Public Accounts to provide a full and fair accounting of  
operations and financial transactions;
  - the collection of, and proper accounting for, all taxes and  
other revenues due;
  - the maintenance of expenditures within the limits and for the  
purpose authorized by the legislature;
  - the adequacy of safeguards to protect assets from loss, waste  
and misappropriation;
  - the regard for economy in the acquisition of goods and services;
  - the regard for efficiency in operations; and
  - the effectiveness of programs in achieving their stated objectives.

Page 2.

6. Chairmen of Public Accounts Committees explain to witnesses their legal position in regard to future actions that may arise from testimony.
11. Chairmen play a leading role in all aspects of committee work and participate in the questioning of witnesses and in other committee deliberations.
23. Committees arrange for suitable briefing material to be available to members prior to hearings, and if necessary set time aside to review it.
29. Procedures for questioning witnesses be adopted that permit productive lines of questioning to be taken to their conclusion and allow all members an opportunity to participate.
30. Public Accounts Committees concentrate their attention on significant issues of management and financial administration rather than on isolated, unimportant, individual transactions.
34. Public Accounts Committees adopt an effective procedure for following up their recommendations with the administration.
35. Auditors be required by legislation to express an opinion on the financial statements and the accounting policies underlying them.
42. Auditors be given legislative authority to obtain any information or documents they require from Crown organizations or their auditors, and to conduct any further examinations that they deem necessary.
69. Public Accounts Committees discuss with Auditors the most appropriate manner of using the services of the audit office to follow up committee recommendations.

It was agreed that the Chairman would write the House Leaders to request that the Committee's 1981 report be placed on the Order Paper for debate.

ADJOURNMENT:

At 11:46 a.m., the Committee adjourned until 10:00 a.m., Thursday, April 22, 1982.



Graham White,  
Clerk of Committee.

SECOND SESSION, THIRTY-SECOND PARLIAMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 5

THURSDAY, APRIL 22, 1982

ORDER:

The Chairman called the meeting to order at 10:15 a.m.

ATTENDANCE:

Chairman: Mr. Reid (Rainy River)

Members of the Committee: Messrs. Bradley, Havrot, Kennedy, Kolyn,  
Philip, Sargent, Taylor (Prince  
Edward-Lennox), Wildman, Yakabuski

Substitutes: Mr. Villeneuve for Mrs. Scrivener

Other Members: Mr. Pollock

Witnesses: Ministry of Transportation and Communications

Mr. Harold Gilbert, Deputy Minister

Mr. J. L. Forster, Executive Director, Regulation Operating  
Division

Mr. A. C. Lennox, Financial Controller

Mr. H. F. Kivi, Director, Licensing and Control Branch

In attendance: Mr. Douglas Archer, Provincial Auditor  
Mr. Ken Leishman, Director, Reporting and Standards  
Branch, Office of the Provincial  
Auditor

Mrs. Margaret Vokes, Research Officer, Legislative  
Research Service

PROCEEDINGS:

The Committee considered sections 2.24 and 2.25 of the Provincial Auditor's Report for 1980-81, respecting the Ministry of Transportation and Communications.

The witnesses made a presentation and answered questions from Members of the Committee.

EXHIBITS:

The following exhibits were filed with the Committee:


Exhibit 21 Statement, dated January 20, 1982, by Harold F. Gilbert,  
Deputy Minister of Transportation and Communications

Exhibit 22 Committee Research Officer, Briefing Materials on sections  
2.24 and 2.25 of the Provincial Auditor's Report for  
1980-81

Exhibit 23 Committee Research Officer, Memorandum on section 2.24 of  
Provincial Auditor's Report for 1980-81

ADJOURNMENT:

At 11:48 a.m., the Committee adjourned until 10:00 a.m., Thursday,  
April 29, 1982.

  
Graham White,  
Clerk of Committee.

Standing Committee on Public Accounts

Second Session, Thirty-Second Parliament

Meeting Number 6

Thursday, April 29, 1982

ORDER:

The Chairman called the meeting to order at 10:15 a.m.

ATTENDANCE:

Chairman: Mr. Reid (Rainy River)

Members of the Committee: Messrs. Bradley, Cunningham, Havrot, Kennedy, Kolyn, Philip, Mrs. Scrivener, Messrs. Taylor (Prince Edward-Lennox), Wildman

Substitution: Mr. Villeneuve for Mr. Yakabuski

Witnesses: Ministry of Transportation and Communications

Mr. Harold Gilbert, Deputy Minister  
Mr. Bill Rathbun, Executive Director, Strategic Planning Secretariat  
Mr. A. D. Lennox, Financial Controller

Ministry of Northern Affairs

Mr. David Hobbs, Deputy Minister  
Mr. Jack Mathews, Chairman, Ontario Northland Transportation Commission  
Mr. Wilf Spooner, Vice-Chairman, Ontario Northland Transportation Commission

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor  
Mr. Ken Leishman, Director, Reporting and Standards Branch  
Mr. M. R. Teixeira, Audit Manager

Ms. Margaret Vokes, Research Officer, Legislative Research

PROCEEDINGS:

The Committee considered section 2.23 of the Provincial Auditor's Report for 1980-81, "Implementation Gaps re Strategic Policy Development and Planning Process, Ministry of Transportation and Communications"

The witnesses, Messrs. Gilbert, Rathbun and Lennox, made a presentation and answered questions from Members of the Committee.

The Committee then considered section 2.11 of the Provincial Auditor's Report for 1980-81 "Deficiencies in Control and Disposal of Salvaged Goods, Star Transfer Limited"

The witnesses, Messrs. Hobbs, Mathews and Spooner, made a presentation and answered questions from Members of the Committee.

EXHIBIT:

The following exhibit was filed with the Committee:

Exhibit 24 Committee Research Officer, Briefing materials for sections 2.23 and 3.11 of The Provincial Auditor's Report for 1980-81

ADJOURNMENT:

At 12:14 p.m., the Committee adjourned until 10:00 a.m., Thursday, May 6, 1982.

*Graham White*  
Graham White,  
Clerk of Committee.



Standing Committee on Public Accounts  
Second Session, Thirty-Second Parliament  
Meeting Number 7  
Thursday, May 6, 1982

ORDER:

The Chairman called the meeting to order at 10:13 a.m.

ATTENDANCE:

Chairman: Mr. Reid (Rainy River)

Members of the Committee: Messrs. Bradley, Cunningham,  
Havrot, Kennedy, Kolyn, Philip,  
Sargent, Mrs. Scrivener,  
Messrs. Taylor (Prince Edward-  
Lennox), Wildman, Yakabuski

Witnesses: Management Board of Cabinet

R. D. Carman, Secretary of the Management  
Board, Management Board Secretariat

D. McGeown, Director, Management Technology  
Branch, Management Policy Division

M. J. Nahon, Senior Officer, Management  
Technology Branch, Management Policy  
Division

In Attendance: Office of the Provincial Auditor

D. F. Archer, Provincial Auditor

K. W. Leishman, Director, Reporting and  
Standards Branch

Ms. Margaret Vokes, Research Officer,  
Legislative Research

PROCEEDINGS:

The Committee met to consider an Audio Visual presenta-  
tion on Information Technology in respect of computers  
by the witnesses who later answered questions.

EXHIBIT:

The following exhibit was filed with the Committee:

Exhibit 25A Memorandum from R. J. Butler, Management  
Board of Cabinet to all Deputy Ministers  
Re: E.D.P. 1981/82 Estimates: Aggregate  
Expenditures and Analysis

ADJOURNMENT:

At 12:28 p.m., the Committee adjourned until 10:00 a.m.  
Thursday, May 13, 1982.

*Graham White*

Graham White  
Clerk of the Committee

*Andrew Richardson*  
Andrew Richardson  
Clerk pro tem.



SECOND SESSION, THIRTY-SECOND PARLIAMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 8

THURSDAY, MAY 13, 1982

ORDER:

The Chairman called the meeting to order at 10:14 a.m.

ATTENDANCE:

Chairman: Mr. Reid (Rainy River)

Members of the Committee: Messrs. Bradley, Cunningham, Kennedy, Kolyn, Havrot, Sargent, Mrs. Scrivener, Messrs. Taylor (Prince Edward-Lennox), Wildman, Yakabuski

Members, not of the Committee: Messrs. Cousens, Lupusella

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor  
Mr. Ken Leishman, Director, Reporting and Standards Branch

Witnesses: Ministry of Energy

Mr. G. R. Thompson, Deputy Minister  
Mr. I. H. Jennings, Executive Co-ordinator, Management Systems and Services  
Mr. P. F. Cunningham, Administrative Officer

Ministry of Government Services

Mr. Alan Gordon, Deputy Minister  
Mr. Greg O'Neill, Executive Director, Computer and Telecommunications Division  
Mr. Joe Silver, Executive Director, Finance and Administration Division

PROCEEDINGS:

The Committee considered section 2.12 of the Provincial Auditor's Report for 1980-81, relating to the word processing centre in the Ministry of Energy.

The witnesses, Messrs. Thompson, Jennings and Cunningham, made a presentation and answered questions from Members of the Committee.

The Committee then considered section 2.15 of the Provincial Auditor's Report for 1980-81, relating to computer contingency plans in the Ministry of Government Services.

The witnesses, Messrs. Gordon, O'Neill and Silver, made a presentation and answered questions from Members of the Committee.

EXHIBITS:

The following exhibits were filed with the Committee:

- Exhibit 25 Committee Research Officer, Briefing Material relating to sections 2.12 and 2.15 of the Provincial Auditor's Report
- Exhibit 26 Opening statement and supporting material from the Deputy Minister of Energy
- Exhibit 27 Letter, dated May 6, 1982, to Chairman from Deputy Minister of Government Services, containing opening statement
- Exhibit 28 Letter, dated May 13, 1982, to Chairman from Provincial Auditor concerning response of Urban Transportation Development Corporation to section 3.12 of the Provincial Auditor's Report for 1980-81.

ADJOURNMENT:

At 11:56 a.m., the Committee adjourned until 10:00 a.m., Thursday, May 20, 1982.

*Graham White*  
Graham White,  
Clerk of Committee.

SECOND SESSION, THIRTY-SECOND SESSION

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 9

THURSDAY, MAY 20, 1982

ORDER:

The Chairman called the meeting to order at 10:14 a.m.

ATTENDANCE:

Chairman: Mr. Reid (Rainy River)

Members of the Committee: Messrs. Bradley, Cunningham, Kolyn, Philip  
Mrs. Scrivener, Messrs. Taylor (Prince  
Edward-Lennox), Wildman

Substitutions: Mr. Cousens for Mr. Yakabuski  
Mr. Villeneuve for Mr. Havrot

Other Members Present: Messrs. McKassock, Miller (Haldimand-Norfolk)

Witness: Mr. David McGeown, Director, Management Technology Branch,  
Management Board of Cabinet

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards Branch

Mr. G. S. Machen, Director, Specialized Audit and Resources Branch

Ms. Margaret Vokes, Legislative Research Service

PROCEEDINGS:

The Provincial Auditor and his staff presented reports to the Committee on computers in the Ministry of the Environment and the Ministry of Correctional Services.

The witness, Mr. McGeown, answered questions from Members of the Committee.

EXHIBITS:

The following exhibits were filed with the Committee:

Exhibit 29 Letter, dated May 14, 1982, from Provincial Auditor to Chairman and Members of the Committee.

Exhibit 30 Office of the Provincial Auditor, Report concerning Electronic Data Processing in the Ministry of the Environment, dated May 14, 1982


Exhibit 31 Office of the Provincial Auditor, Report concerning Electronic Data Processing in the Ministry of Correctional Services, dated May 14, 1982

Exhibit 32 Committee Research Officer, Briefing materials on EDP in the Ministry of the Environment and the Ministry of Correctional Services

Exhibit 33 Don Cousens, MPP, memorandum on questions and concerns in Ontario Government EDP

ADJOURNMENT:

At 11:36 a.m., the Committee adjourned until 10:00 a.m., Thursday, May 20, 1982.



Graham White,  
Clerk of Committee.

Standing Committee on Public Accounts  
Second Session, Thirty-Second Parliament  
Meeting Number 10  
Thursday, May 27, 1982

ORDER:

The Chairman called the meeting to order at 10:16 a.m.

ATTENDANCE:

Chairman: Mr. Reid (Rainy River)

Members of the Committee: Messrs. Bradley, Cunningham,  
Havrot, Kennedy, Kolyn, Mrs.  
Scrivener, Taylor (Prince Edward-  
Lennox), Wildman, Yakabuski

Substitutions: Mr. Miller (Haldimand-Norfolk) for  
Mr. Sargent

Member, not of the Committee, present: Mr. McGuigan

Witnesses: Ministry of Agriculture & Food

D. A. Allan, Deputy Minister

M. Chang, Director, Audit Services Branch

H. Ediger, General Manager, Crop Insurance  
Commission of Ontario

R. Sewell, Executive Director, Finance  
and Administration Division

Ministry of Industry and Trade

G. C. McDonald, Executive Co-ordinator,  
Advertising and Promotion Services Group

Ministry of Tourism and Recreation

R. E. Canney, Communications Consultant

Ms. Margaret Vokes, Research Officer,  
Legislative Research

PROCEEDINGS:

The Committee considered section 3.8 of the Provincial  
Auditors' Report 1980-81, "Improvements in Administration  
of Mortgages Recommended", Ontario Junior Farmer  
Establishment Loan Corporation.

The witnesses Messrs. Allan, Chang, Ediger and Sewell  
made a presentation and answered questions from Members  
of the Committee.

The Committee then considered Government Advertising.

Messrs. McDonald and Canney made a presentation and  
answered questions by Members of the Committee.

After some time

Mr. Cunningham moved

That the Public Accounts Committee indicate its concern about massive increases in Ontario Government and Ontario Agency advertising.

and further that we request

the establishment of a Select Committee of the Legislature to review Ontario Government advertising; the possible abuse of public funds; the potential political use of government advertising and the need to establish open, agency competition process.

The Chairman having ruled that because of Committee procedures there has to be a week's notice to vote on any substantive motion and the ruling having been challenged, at the request of Mr. Kolyn the Committee recessed for a recorded Vote at 12:27 p.m. in accordance with Standing Order 89 (c).

The Committee having resumed after the recess the Chairman's ruling was upheld on the following recorded Vote:

AYES:

Messrs.

Havrot	Taylor (Prince Edward-
Kolyn	Lennox)
Scrivener (Mrs.)	Yakabuski

-5

NAYS:

Messrs.

Bradley	Miller (Haldimand-
Cunningham	Norfolk)
	Wildman

-4

#### EXHIBITS:

The following exhibits were filed with the Committee:

- Exhibit 34 Economic Programmes for Agriculture
- Exhibit 35 Briefing Materials for Meeting of May 27, 1982 by Margaret Vokes
- Exhibit 36 Background Paper on Government Advertising by Margaret Vokes
- Exhibit 37 Tourism Marketing Plan 1982/83

#### ADJOURNMENT:

At 12:53 p.m., the Committee adjourned until 10:00 a.m. Thursday, June 3, 1982.

*Graham White*

Graham White  
Clerk of the Committee

*Andrew Richardson*

Andrew Richardson  
Clerk pro tem.



SECOND SESSION, THIRTY-SECOND PARLIAMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 11

THURSDAY, JUNE 3, 1982

ORDER: The Chairman called the meeting to order at 10:17 a.m.

ATTENDANCE: Chairman: Mr. Reid (Rainy River)

Members: Messrs. Bradley, Cunningham, Havrot, Kennedy, Kolyn, Philip, Sargent, Mrs. Scrivener, Messrs. Taylor (Prince Edward-Lennox), Yakabuski

Substitution: Mr. MacDonald for Mr. Wildman

Other Member: Mr. Kerrio

Appearing: Hon. Robert Elgie, M.D., MPP, Minister of Consumer and Commercial Relations

In Attendance: Office of the Provincial Auditor:

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards Branch

Ms. Margaret Vokes, Research Officer,  
Legislative Research Service.

WITNESSES: Liquor Control Board of Ontario:

Mr. William Bosworth, Chairman

Mr. Jack Harris, Vice-Chairman

Mr. F. A. MacInnis, General Manager

Mr. Don Jackman, Comptroller

PROCEEDINGS: Mr. Cunningham moved

That the Committee report to the House as follows:

Your Committee is concerned about massive increases in Ontario Government advertising and accordingly recommends

That a Select Committee of this Assembly be established to review Ontario Government advertising; the possible abuse of public funds in advertising; the potential political use of government advertising; and the need to establish an open, agency competition process.

Mr. Philip moved that the motion be amended by adding to it the following words:

And that the Select Committee have authority to sit during recesses and the interval between Sessions and have full power to employ such staff as it deems necessary and to hold meetings and hearings in such places as the Committee may deem advisable, subject to budget approval from the Board of Internal Economy, and to call for persons, papers and things and to examine witnesses under oath, and the Assembly doth command and compel the attendance before the said Committee of such persons and the production of such papers and such things as the Committee may deem necessary for any of its proceedings and deliberations for which the Honourable the Speaker may issue his warrant.

The Chairman put the question on the amendment, and it was LOST.

The Chairman then put the question on the main motion, and it was LOST.



- 2 -

Mr. Philip gave notice of the following motion, to be made at the Committee's next meeting:

That the Committee sit for three weeks during the summer recess to review advertising by the Government of Ontario and that the Provincial Auditor and the Committee Research Office be requested to prepare such documents as may be deemed necessary for an adequate examination of Ontario Government Advertising.

The Committee then considered the operations of the Liquor Control Board of Ontario.

The Minister and the witnesses answered questions from Members of the Committee.

**EXHIBITS:**

The following exhibits were filed with the Committee:

Exhibit 38 Committee Research Officer, Background Material on Liquor Control Board of Ontario, dated March, 1982.

Exhibit 39 Submission from Liquor Control Board of Ontario:

- 1) 55th Annual Report, 1980-81
- 2) Organization Chart, dated January 1, 1982
- 3) Mark-up rates on various types of liquor
- 4) Comparative schedule of Provincial Liquor Boards for the year ended March 31, 1981.

**ADJOURNMENT:**

At 12:11 p.m., the Committee adjourned until 10:00 a.m., Thursday, June 10, 1982.



Graham White,  
Clerk of Committee.

SECOND SESSION, THIRTY-SECOND PARLIAMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 12

THURSDAY, JUNE 10, 1982

ORDER:

The Chairman called the meeting to order at 10:08 a.m.

ATTENDANCE:

Members of the Committee: Messrs. Cunningham, Hayrot, Kennedy, Kolyn, Philip, Sargent, Mrs. Scrivener, Messrs. Taylor (Prince Edward-Lennox), Wildman, Yakabuski

In attendance: Mr. Douglas Archer, Provincial Auditor  
Mr. Ken Laishman, Director,  
Reporting and Standards Branch, Office of the Provincial Auditor

Ms. Margaret Vokes, Research Officer, Legislative Research Service

WITNESSES:

Urban Transportation Development Corporation

Mr. Kirk Foley, President  
Mr. Bob Ross, Vice-President, Finance  
Mr. Ross McFadden, Senior Partner, Coopers and Lybrand

PROCEEDINGS:

The Committee considered section 3-12 of the Provincial Auditor's Report for 1980-81, "Improved Internal and Administrative Controls Recommended, Urban Transportation Development Corporation"

The witnesses, Messrs. Foley, Ross and McFadden, made statements and answered questions from Members of the Committee.

Mr. Sargent moved that the Committee request the Urban Transportation Development Corporation to provide a list of the salaries of the Corporation's top executives.

LOST.

At 11:37 a.m., Mr. Kolyn assumed the Chair.

At 11:39 a.m., the Chairman resumed the Chair.

Mr. Philip moved

That the Committee sit for three weeks during the summer recess to review advertising by the Government of Ontario and that the Provincial Auditor and the Committee Research Officer be requested to prepare such documents as may be deemed necessary for an adequate examination of Ontario Government advertising.

LOST.

It was agreed that the Committee would consider its Fall agenda at its next meeting.

EXHIBIT:

The following exhibit was filed with the Committee:

Exhibit 40 Committee Research Officer, "Briefing material on Urban Transportation Development Corporation"

ADJOURNMENT:

At 12:14 p.m., the Committee adjourned until 10:00 a.m., Thursday, June 17, 1982.

Graham White,  
Clerk of Committee.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

SECOND SESSION, THIRTY-SECOND PARLIAMENT

MEETING NUMBER 13

THURSDAY, JUNE 17, 1982

ORDER: The Chairman, Mr. Reid, called the meeting to order at 10:15 a.m.

ATTENDANCE: Members of the Committee: Messrs. Cunningham, Havrot, Kennedy, Kolyn, Philip, Sargent, Mrs. Scrivener, Mr. Taylor (Prince Edward-Lennox)

Substitution: Mr. Villeneuve for Mr. Yakabuski

Witnesses: Ministry of the Environment

Mr. G. Raymond, Deputy Minister

Mr. G. E. Higham, Executive Director, Finance & Administrative Division

Mr. G. Scanlon, Systems Development Section

Dr. G. Van Volkenburgh, Director, Air Resources Branch

Mr. C.J. Macfarlane, Director, Waste Management Branch

Management Board of Cabinet

Mr. Robert Carman, Secretary

Mr. David McGeown, Director, Management Technology Branch

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards Branch

Mr. G. S. Machen, Director, Specialized Audit and Resources Branch

Ms. Margaret Vokes, Research Officer, Legislative Research Service

PROCEEDINGS: The Committee resumed its review of computers in the Government of Ontario.

The witnesses, Messrs. Raymond, Higham, Scanlon, Van Volkenburgh and Macfarlane, made statements and answered questions from Members of the Committee.

The witnesses, Messrs. Carman and McGeown, made statements and answered questions from Members of the Committee.

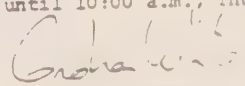
EXHIBITS: The following exhibits were filed with the Committee:

Exhibit 41 Office of the Provincial Auditor, letter, dated June 1, 1982, to Chairman with attached responses to Committee questions on computer policy raised in Committee's May 20, 1982 meeting.

Exhibit 42 Letter, dated June 11, 1982, to Clerk from F. A. MacInnis, General Manager, Liquor Control Board of Ontario, containing Board responses to questions raised at Committee's June 3, 1982 meeting.

Exhibit 43 Ministry of the Environment "Comments on Findings and Recommendations in the Report to the Standing Committee on Public Accounts concerning the Electronic Data Processing in the Ministry of the Environment", June 8, 1982, with covering letter from the Deputy Minister of the Environment.

ADJOURNMENT: At 11:55 a.m., the Committee adjourned until 10:00 a.m., Thursday, June 24, 1982.

  
Graham White,  
Clerk of Committee.

STANDING COMMITTEE ON PUBLIC ACCOUNTS  
SECOND SESSION, THIRTY-SECOND PARLIAMENT  
MEETING NUMBER 14  
THURSDAY, JUNE 24, 1982

ORDER: .

The Chairman, Mr. Reid, called the meeting to order at 10:15 a.m.

ATTENDANCE:

Members: Messrs. Cunningham, Havrot, Kennedy, Kolyn, Reid (Rainy River), Mrs. Scrivener, Messrs. Wildman, Yakabuski

In attendance: Office of the Provincial Auditor:

Mr. Douglas Archer, Provincial Auditor  
Mr. Ken Leishman, Director, Reporting and Standards Branch

Ms. Margaret Vokes, Research Officer, Legislative Research Service

PROCEEDINGS:

The Committee considered its agenda for future meetings.

Mr. Wildman moved that the Chairman be authorized to write to the House Leaders requesting authorization of the House to sit for three days in late September or early October and to travel to Ottawa to observe the Public Accounts Committee of the House of Commons.

CARRIED.

It was agreed that the following matters would be considered by the Committee during its summer meetings:

- review of spring meetings and consideration of possible recommendations for the final report
- accountability of Crown corporations
- section 2.9 of the Provincial Auditor's Report for 1980-81: "Deficiencies in Lotteries Branch Reporting System, Ministry of Consumer and Commercial Relations
- section 2.16 of the Provincial Auditor's Report for 1980-81: "Operational Improvements Recommended re Ambulance Service Branch, Ministry of Health
- discussion of Fall agenda

ADJOURNMENT:

At 10:28 a.m., the Committee adjourned to the call of the Chair.

*Graham White*

Graham White,  
Clerk of Committee.



SECOND SESSION, THIRTY-SECOND PARLIAMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 15

THURSDAY, OCTOBER 28, 1982

ORDER:

The Chairman, Mr. Reid, called the meeting to order at 10:13 a.m.

ATTENDANCE:

Members of the Committee: Messrs. Cunningham, Hawrot, Kolyn, Philip, Reid (Rainy River), Sargent, Mrs. Scrivener, Messrs. Wildman, Yakabuski

Substitutions: Mr. Treleaven for Mr. Taylor  
Mr. Villeneuve for Mr. Kennedy

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards Branch

Dr. James O'Mara, Research Officer, Legislative Research  
Service

Witnesses: Ministry of Health

Mr. Graham Scott, Deputy Minister

Dr. J. Psutka, Executive Co-ordinator of Emergency Health  
Services Group

Ministry of Consumer and Commercial Relations

Mr. Donald Crosbie, Deputy Minister

Mr. Bob Simpson, Executive Director, Business Practices Division

Mr. Don Speight, Director, Lotteries Branch

PROCEEDINGS:

The Committee considered section 2.16 of the Provincial Auditor's Report for 1980-81, "Operational Improvements Recommended re Ambulance Services Branch, Ministry of Health".

The witnesses, Messrs. Scott and Psutka, made statements and answered questions from Members of the Committee.

The Committee then considered section 2.9 of the Provincial Auditor's Report for 1980-81, "Deficiencies in Lotteries Branch Reporting System, Minister of Consumer and Commercial Relations".

The witnesses, Messrs. Crosbie, Simpson and Speight, made statements and answered questions from Members of the Committee.

The Committee then considered the organization of its business.

Mr. Philip moved that the Committee re-order its priorities and forthwith conduct an enquiry into the advertising programme of the Government and report its findings to the House before Christmas in view of the Treasurer's argument that inflation and unemployment must be fought by reducing Government expenditures and in view of the over 40 million dollars spent annually by the Government on advertising.

In accordance with the Committee's procedures, debate on the motion was adjourned until the next meeting of the Committee.

Mr. Wildman moved that pursuant to section 16 of The Audit Act, the Committee request the Provincial Auditor to conduct a full review of the Hornepayne Hallmark Town Centre project and the provincial government's involvement in it, including a review of the cost-effectiveness of the provincial capital investment in the project.

In accordance with the Committee's procedures, debate on the motion was adjourned until the next meeting of the Committee.

... Cont'd

PROCEEDINGS:  
(Cont'd)

It was agreed that the Committee would deal with the matter of the Ontario Hydro-Denison Mines Uranium contract at its next meeting.

EXHIBIT:

The following document was filed with the Committee as an exhibit:

Exhibit 44 Committee Research Officer, briefing material on section 2.9 and 2.16 of Provincial Auditor's Report for 1980-81.

ADJOURNMENT:

At 12:04 p.m., the Committee adjourned until 10:00 a.m., Thursday, November 4, 1982.

Graham White

Graham White,  
Clerk of Committee.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

SECOND SESSION, THIRTY-SECOND PARLIAMENT

MEETING NUMBER 16

THURSDAY, NOVEMBER 4, 1982

ORDER: The Chairman, Mr. Reid (Rainy River) called the meeting to order at 10:12 a.m.

ATTENDANCE: Members of the Committee: Messrs. Bradley, Cunningham, Havrot, Kennedy, Kolyn, Philip, Reid (Rainy River), Mrs. Scrivener, Messrs. Taylor (Prince Edward-Lennox), Wildman, Yakabuski

Substitution: Mr. Reed (Halton-Burlington)

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards Branch

Legislative Research Service

Dr. James O'Mara, Research Officer

Witnesses: Mr. Richard Lundeen, Policy Co-ordinator, Fuels and Materials Section, Ministry of Energy

Mr. Alan Holt, Director of Fuels, Ontario Hydro

PROCEEDINGS:

The Committee considered the matter of Ontario Hydro's uranium contracts with Denison Mines and Rio Algom/Preston Mines.

The witnesses, Messrs. Holt and Lundeen answered questions from Members of the Committee.

Mr. Cunningham moved that at any meeting in which the Chairman is not in the Chair, all votes shall be postponed until the following meeting unless unanimous consent is received to proceed with the vote.

CARRIED.

Mr. Philip, seconded by Mr. Yakabuski, moved that Mr. Kolyn be Vice-Chairman of the Committee.

CARRIED.

Mr. Philip moved that the Committee re-order its priorities and forthwith conduct an enquiry into the advertising programme of the Government and report its findings to the House before Christmas in view of the Treasurer's argument that inflation and unemployment must be fought by reducing Government expenditures and in view of the over 40 million dollars spent annually by the Government on advertising.

After some time, the motion was lost on the following vote:

AYES

Bradley  
Cunningham

Philip  
Reed  
Wildman - 5

NAYS

Havrot  
Kennedy  
Kolyn

Scrivener  
Taylor  
Yakabuski - 6

... Cont'd

PROCEEDINGS:  
(Cont'd)

Mr. Wildman then moved that pursuant to section 16 of The Audit Act, the Committee request the Provincial Auditor to conduct a full review of the Hornepayne Hallmark Town Centre project and the provincial government's involvement in it, including a review of the cost-effectiveness of the provincial capital investment in the project.

After some time, it was agreed that debate on the motion would be resumed at the next committee meeting.

## EXHIBITS: .

The following exhibits were filed with the Committee:

Exhibit 45 Committee Research Officer, "Synopsis of Major Issues Regarding Ontario's Contracts with Denison Mines and Rio Algom/Preston Mines", September, 1982

Exhibit 46 Memorandum to Chairman from Deputy Minister of Transportation and Communications respecting implementation of "ROM" report, October 5, 1982

Exhibit 47 Office of the Provincial Auditor, "Report to the Standing Committee on Public Accounts Concerning the Electronic Data Processing in the Ministry of Health", October 25, 1982

## ADJOURNMENT:

At 12:06 p.m., the Committee adjourned until 10:00 a.m., Thursday, November 18, 1982.

Graham White

Graham White,  
Clerk of Committee.



STANDING COMMITTEE ON PUBLIC ACCOUNTS

SECOND SESSION, THIRTY-SECOND PARLIAMENT

MEETING NUMBER 17

THURSDAY, NOVEMBER 18, 1982

ORDER: The Chairman, Mr. Reid, called the meeting to order at 10:08 a.m.

ATTENDANCE: Members of the Committee: Messrs. Bradley, Cunningham, Havrot, Kennedy, Kolyn, Philip, Reid (Rainy River), Sargent, Mrs. Scrivener, Messrs. Taylor (Prince Edward-Lennox), Yakubski

In Attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards Branch

Legislative Research Service

Dr. James O'Mara, Research Officer

PROCEEDINGS: The Committee met in camera to consider its report to the

ADJOURNMENT: At 11:55 a.m. the Committee adjourned until 10:00 a.m. Thursday, November 25, 1982.

Graham White

Graham White,  
Clerk of the Committee

STANDING COMMITTEE ON PUBLIC ACCOUNTS

SECOND SESSION, THIRTY-SECOND PARLIAMENT

MEETING NUMBER 18

THURSDAY, NOVEMBER 25, 1982

ORDER:

The Chairman, Mr. Reid, called the meeting to order at 10:19 a.m.

ATTENDANCE:

Members of the Committee: Messrs. Cunningham, Havrot, Kennedy, Kolyn,  
Philip, Reid (Rainy River), Mrs. Scrivener,  
Messrs. Taylor, Wildman, Yakabuski

Substitutions: Mr. O'Neil for Mr. Sargent  
Mr. Eakins for Mr. Bradley

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards

Legislative Research Service

Dr. James O'Mara, Research Officer

PROCEEDINGS:

Mr. Wildman moved that pursuant to section 16 of The Audit Act, the Committee request the Provincial Auditor to conduct a full review of the Hornepayne Hallmark Town Centre project and the provincial government's involvement in it, including a review of the cost-effectiveness of the provincial capital investment in the project.

After some time, Mr. Wildman withdrew his motion.

It was agreed that the Committee would interpret "early in the meeting" in the order of the House of March 12, 1982, permitting substitution on the Committee as requiring notification of substitution within 30 minutes of the start of the meeting.

On motion by Mr. Havrot, the Committee met in camera to discuss its report to the House.

EXHIBIT:

The following exhibit was filed with the Committee:

Exhibit 48 Letter, dated November 18, 1982, to Provincial Auditor from Deputy Minister of Health with attached responses to the Auditor's report to the Committee on Electronic Data Processing in the Ministry of Health.

ADJOURNMENT:

At 11:56 a.m., the Committee adjourned until 10:00 a.m., Thursday, December 2, 1982.

Graham White

Graham White,  
Clerk of Committee.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

SECOND SESSION, THIRTY-SECOND PARLIAMENT

MEETING NUMBER 19

THURSDAY, DECEMBER 2, 1982

ORDER:

The Chairman, Mr. Reid, called the meeting to order at 10:16 a.m.

ATTENDANCE:

Members of the Committee: Messrs. Bradley, Cunningham, Havrot, Kolyn, Philip, Reid, Sargent, Mrs. Scrivenex, Messrs. Taylor (Prince Edward-Lennox), Wildman, Yakabuski

Substitution: Mr. Villeneuve for Mr. Kennedy

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards  
Branch

Legislative Research Service

Dr. James O'Mara, Research Officer

PROCEEDINGS:

The Committee met in camera to consider its report to the House.

The question was put on Mr. Philip's motion

That this committee conduct a thorough enquiry into all facets of government advertising early in 1983 and that the committee's 1982 report contain a brief reference to this enquiry.

LOST

EXHIBITS:

The following exhibits were filed with the Committee:

Exhibit 48 Letter, dated November 25, 1982 to Chairman from Deputy Minister of Health with attached chart of comparative cost analysis of ambulance services.

Exhibit 49 Memorandum, dated December 1, 1982 to Clerk from Executive Secretary, Youth Secretariat on recent developments in evaluating the Experience programme.

Exhibit 50 Letter, dated November 18, 1982, to Provincial Auditor from Deputy Minister of Health with responses to Provincial Auditor's review of Electronic Data Processing in the Ministry of Health

ADJOURNMENT:

At 11:15 a.m., the Committee adjourned until 10:00 a.m., Thursday, December 9, 1982.

Graham White,  
Clerk of Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

SECOND SESSION, THIRTY-SECOND PARLIAMENT

MEETING NUMBER 20

THURSDAY, DECEMBER 9, 1982

ORDER:

The Chairman, Mr. Reid, called the meeting to order at 10:18 a.m.

ATTENDANCE:

Members of the Committee: Messrs. Bradley, Cunningham, Havrot, Kennedy, Kolyn, Philip, Reid, Sargent, Mrs. Scrivener, Messrs. Taylor (Prince Edward-Lennox), Wildman, Yakabuski

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor  
Mr. Ken Leishman, Director, Reporting and Standards Branch

Legislative Research Service

Dr. James O'Mara, Research Officer

PROCEEDINGS:

The Committee met in camera to consider its report to the House.

Mrs. Scrivener moved

That all Members of the Committee be permitted to append to the Committee's report any dissenting opinions they feel appropriate.

CARRIED.

It was agreed that the Committee's report include the minutes of the Committee's proceedings.

Mr. Kolyn moved

That the Chairman be authorized to present to the House the Committee's 1982 report, as amended, and move the adoption of its recommendations.

CARRIED.

ADJOURNMENT:

At 10:55 a.m., the Committee adjourned until following routine proceedings Tuesday, December 14, 1982.

Graham White

Graham White,  
Clerk of Committee.







CA24N  
X021  
- P71



# STANDING COMMITTEE on PUBLIC ACCOUNTS 1983 REPORT



Third Session, Thirty-Second Parliament  
32 Elizabeth II







LEGISLATIVE ASSEMBLY  
ASSEMBLÉE LÉGISLATIVE

The Honourable John M. Turner, M.P.P.  
Speaker of the Legislative Assembly

Sir,

On behalf of the Members of the Standing Committee on Public Accounts, appointed by Order of the Assembly on April 24, 1981, I have the honour to submit the attached report.

A handwritten signature in cursive script that reads "Patrick Reid".

Patrick Reid, M.P.P.  
Chairman

Queen's Park  
December, 1983



THE STANDING COMMITTEE ON PUBLIC ACCOUNTS  
LEGISLATIVE ASSEMBLY OF ONTARIO  
THIRD SESSION, THIRTY-SECOND PARLIAMENT

PATRICK REID, M.P.P.  
Rainy River  
Chairman

MICHAEL HARRIS, M.P.P.  
Nipissing  
Vice-Chairman

JIM BRADLEY, M.P.P.  
St. Catharines

ERIC CUNNINGHAM, M.P.P.  
Wentworth North

R. DOUGLAS KENNEDY, M.P.P.  
Mississauga South

AL KOLYN, M.P.P.  
Lakeshore

ED PHILIP, M.P.P.  
Etobicoke

ALAN ROBINSON, M.P.P.  
Scarborough-Ellesmere

EDWARD SARGENT, M.P.P.  
Grey-Bruce

MARGARET SCRIVENER, M.P.P.  
St. David

BUD WILDMAN, M.P.P.  
Algoma

PAUL J. YAKABUSKI, M.P.P.  
Renfrew South

FRANCO CARROZZA  
and  
GRAHAM WHITE  
CLERKS OF THE COMMITTEE

ELIZABETH GARDINER  
and  
JAMES O'MARA  
RESEARCH OFFICERS  
LEGISLATIVE RESEARCH SERVICE





## TABLE OF CONTENTS

PREFACE . . . . .	1
SUMMARY OF COMMENTS AND RECOMMENDATIONS . . . . .	3
SUMMARY OF HEARINGS	
MINISTRY OPERATIONS	
Provincial Secretariat for Resources Development (Section 2.18 of the Auditor's 1981-82 Report) . . . . .	6
Recommendation (#1) . . . . .	12
Ministry of Revenue (Section 2.19 of the Auditor's 1981-82 Report) . . . . .	13
Ministry of Government Services (Section 2.9 of the Auditor's 1981-82 Report) . . . . .	16
Recommendation (#2) . . . . .	17
Ministry of the Attorney General (Section 2.5 of the Auditor's 1981-82 Report) . . . . .	18
Recommendation (#3) . . . . .	19
Ministry of the Attorney General (Section 2.6 of the Auditor's 1981-82 Report) . . . . .	20
CROWN AGENCY OPERATIONS	
Ontario Place Corporation (Section 3.9 of the Auditor's 1981-82 Report) . . . . .	21
Committee Comment (#4) . . . . .	23
Ontario Waste Management Corporation (Section 3.10 of the Auditor's 1981-82 Report) . . . . .	24
Recommendation (#5) . . . . .	27
Office of the Ombudsman (Section 3.5 of the Auditor's 1981-82 Report) . . . . .	28
Recommendation (#6) . . . . .	30
Ontario Development Corporations (Section 3.3 of the Auditor's 1981-82 Report) . . . . .	31
Committee Comment (#7) . . . . .	32
Ontario Energy Corporation (Section 4.6 of the Auditor's 1981-82 Report) . . . . .	33
Recommendation (#8) . . . . .	34

## TABLE OF CONTENTS cont'd

### SPECIAL REVIEWS

Accountability of Crown Corporations . . . . .	35
Committee Comment (#9) . . . . .	42
 Ontario Energy Corporation . . . . .	 43
Ontario Lottery Corporation . . . . .	48
Algonquin Forestry Authority . . . . .	52
Ontario Housing Corporation . . . . .	56
Ontario Development Corporations . . . . .	62
Recommendation (#10) . . . . .	67
Ministry of Revenue - Electronic Data Processing (EDP) Activities . . . . .	68
Ministry of Government Services - Review by the Provincial Auditor . . . . .	71
Committee Comment (#11) . . . . .	77
Ontario Hydro Review . . . . .	78

### COMMITTEE PROCEDURES AND OPERATIONS

Ottawa Meetings, February - March 1983 . . . . .	79
Washington, D.C. Meetings, October 1983 . . . . .	83

DISSENTING OPINION . . . . .	96
------------------------------	----

### APPENDIX

Minutes of Committee Meetings	
-------------------------------	--

## PREFACE

The Standing Committee on Public Accounts was appointed on April 24, 1981, in accordance with Standing Order 91, with the power to send for persons, papers and things, pursuant to Section 35 of the Legislative Assembly Act. Under the Standing Orders, the Committee is appointed for the life of the Parliament.

To quote the Provincial Auditor:

. . .one of the key prerequisites for an effective Public Accounts Committee is a commitment to operate in an atmosphere which, unlike the full Legislature, is not designed to be partisan in nature. Debates in the Legislature tend to focus on policy and to follow party lines, whereas Public Accounts Committee meetings should deal with the administration of government programs.

During 1983, the Committee held 32 meetings on the various matters outlined in this report. Most of these matters were raised in the Provincial Auditor's Report, but some of the items investigated were initiated by the Committee.

In July, the Chairman and Members of the Committee hosted the Fifth Annual Meeting of the Canadian Council of Public Accounts Committees. This organization brings together Chairmen, Members, and staff from Public Accounts Committees from all Canadian Legislatures to exchange information and experiences about common goals and problems. The Council meets at the same time with the Legislative Auditors. The Ontario Public Accounts Committee Chairman, Patrick Reid, was re-elected as President of C.C.P.A.C. Dr. Graham White was re-appointed as the Secretary of the Council. The Council's next meeting will be held in Prince Edward Island in July 1984.

In February, the Committee travelled to Ottawa to meet with the Federal Public Accounts Committee, the Federal Auditor General and the Comptroller General of Canada.

In September, the Committee conducted special hearings on Crown Corporation accountability to the Legislative Assembly.

In October, the Committee travelled to Washington, D.C. to study the operations of the General Accounting Office and to exchange information with the House Committee on Government Operations on our common problems.

The Committee has been concerned with the chain of accountability and responsibility in Crown Corporations, Agencies, Boards and Commissions, and the application and enforcement of the Ontario Manual of Administration.

The assistance and co-operation of the Provincial Auditor and staff have contributed immeasurably to the Committee's work. The Committee wishes to express its appreciation and thanks to Dr. James O'Mara, Legislative Researcher, who has now left the Committee. Ms. Elizabeth Gardiner is the present Legislative Researcher and the Committee thanks her for her outstanding assistance. We wish to thank Dr. Graham White for his excellent service as well. Mr. Franco Carrozza is the present clerk of the Public Accounts Committee.

As in the past reports, the Committee is pleased to record its thanks to the public servants who appeared before the Committee, for their willingness to provide information and for their assistance in helping the Committee fulfill its mandate. Responses to items raised in the Committee's 1982 report have been received from all ministries and agencies.

The Committee has examined a large number of items and for some, it has recommendations or comments. Matters requiring no recommendations or comments are included in this report for purposes of information.

## SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. The Committee believes that there should be a well-defined line of demarcation between federal and provincial responsibilities, with respect to funding programs for Native peoples in Ontario -- thereby eliminating the potential for federal-provincial duplication of effort.

The Committee recommends that the Provincial Secretariat for Resources Development, together with the appropriate line-ministries, implement proper and comprehensive procedures for program documentation and the accounting of funds to Indian bands. These should include documentation to support program rationale (i.e., the need for programs) and accounting procedures which verify the proper allocation of funds (i.e., that funds are directed to intended programs). In addition, there should be an accounting by the Indian bands to the appropriate line-ministries, for funds received.

2. In 1975, the Public Accounts Committee recommended to Management Board of Cabinet that "guidelines be drawn up with respect to the use and security of information used and stored by the government computer service."

In 1982, the Committee recommended (#14) that the Ministry of Government Services develop contingency plans for computer system disruption and/or disaster.

The Committee is not satisfied with the overall progress made in computer system security and disaster preparedness. Since this is a matter of some urgency, the Committee requests that the Government act immediately to draw up contingency plans for disaster preparedness and that Management Board advise the Committee and Provincial Auditor of the status of these plans and/or policies.

3. The Committee recommends that the Provincial Auditor determine whether or not new EDP policies and proposals are currently in effect at the Ministry of the Attorney General.



4. The Committee regrets the fact that there was not enough lead-time allowed by Cabinet, in the approval process, for a project of this magnitude ("Future Pod"), and deplores the fact that the project was not tendered, in accordance with the policies of the Ontario Manual of Administration.

The Assistant Deputy Minister of Tourism and Recreation indicated, in response to questions, that he would operate in the same manner again, under similar circumstances. The Committee finds this view to be unacceptable.

5. Officials from Management Board of Cabinet have stated that the heads of Crown corporations are accountable to their parent ministers. This accountability includes the ministerial approval of salaries. The Committee is concerned that this line of accountability was not originally followed, particularly with regard to the establishment of the salary for the Chairman of the Ontario Waste Management Corporation.

The Committee recommends that newly-established Crown agencies, boards, and commissions be advised thoroughly on the application of Government management guidelines, the Ontario Manual of Administration and the Memorandum of Understanding.

6. The Committee is concerned that the policies of the Ontario Manual of Administration have not been followed by the Office of the Ombudsman. It therefore recommends that the Provincial Auditor review the Office's policies and procedures for compliance with the Manual, and report his findings to the Public Accounts Committee.
7. The Committee is satisfied with the testimony heard and commends the Development Corporations for their performance.
8. The Committee recommends that the Provincial Auditor request, from the Treasurer of Ontario, all relevant information that would enable him to monitor the number and nature of comfort letters issued annually.

9. The Committee would like to state that it is satisfied that the following five Crown corporations are being administered satisfactorily:

Ontario Energy Corporation  
 Ontario Lottery Corporation  
 Algonquin Forestry Authority  
 Ontario Housing Corporation  
 Ontario Development Corporations

10. The Committee is concerned about the accountability of Crown corporations generally, and believes that such corporations should be reviewed on a regular basis. Management Board has advised the Committee that it is conducting a survey of other provinces, as part of a larger study, to ascertain the optimum methods for reviewing Crown agencies. The Public Accounts Committee will review the results of Management Board's findings as they become available.

In view of the importance of the Memorandum of Understanding as a mechanism for Crown corporation accountability, the Committee recommends that all such Memoranda be reviewed regularly, in order to reflect current operating relationships among Crown corporations, their parent ministries, the Government and the Legislature.

11. The Committee acknowledges that a system or chain of accountability and responsibility exists in Ontario, whereby a Deputy Minister is accountable to a Minister who is, in turn, accountable to the Premier who possesses the ultimate responsibility for the hiring and firing of senior Government officials.

With regard to this system of accountability, the Committee is concerned about the enforcement of compliance with the Ontario Manual of Administration, and suggests that the matter should be reviewed by the Government. "

12. The Committee recommends that the Government consider whether or not the authority possessed by the Auditor under the Audit Act, for access to Crown-controlled corporations, should be extended to include the subsidiaries of Crown-controlled corporations. Reference to this matter is included in the Provincial Auditor's 1981-82 Annual Report, p. 105-6.



## MINISTRY OPERATIONS





Section 2.18 of the Auditor's 1981-82 Annual Report:  
Weaknesses in Administration and Monitoring of Grants to  
Native People, Provincial Secretariat for Resources Development

Estimates for the Provincial Secretariat for Resources Development, 1981-82, amounted to \$1,203,500 under Vote 1801, Item 1. Actual expenditures totalled \$1,170,071.

In 1981, the responsibility for Native Affairs was officially assigned to the Provincial Secretariat for Resources Development. In this regard, the Secretariat develops policy for the Ontario government, coordinates interministerial policy development and program delivery, participates in negotiations with Native groups, the federal government and other provincial governments and monitors policy development and program delivery by the appropriate line-ministries.

The Provincial Auditor had three main concerns, arising from his review. These were:

- the absence of a formal agreement between the federal and provincial governments could lead to duplication of effort, or result in the Province funding services and projects which are more properly the responsibility of the federal government;
- procedures for ensuring the effective delivery and monitoring of Native assistance programs at the Ministry of Community and Social Services required upgrading; and
- procedures for monitoring or verifying grants at the Ministry of Culture and Recreation (now, Citizenship and Culture) needed improvement.

The Deputy Provincial Secretary and the Executive Coordinator of Native Affairs from the Provincial Secretariat for Resources Development appeared before the Committee to respond to these comments under Section 2.18 of the Auditor's Report.

Throughout the course of the hearing, it became evident that officials from the Secretariat were not in a position to address directly, those matters pertaining to the Ministries of Community and Social Services and Citizenship and Culture. Therefore, the above issues are discussed here, in separate chronological order.

### Duplication of Services

With respect to the federal-provincial separation of responsibilities, the Auditor noted several matters. Services to Native people in Ontario are provided by both the federal and provincial governments. Coordination of Ontario policy development and program delivery is provided by the Secretariat under the direction of the Cabinet Committee on Native Affairs and in conjunction with the Interministerial Committee on Native Affairs. The Auditor pointed out that Ontario has traditionally felt that the federal government has financial responsibility for providing all services to status Indians except the administration of justice. However, no formal agreement between the federal and provincial governments exists, to define their respective roles and responsibilities. The Auditor suggested that the lack of a formal agreement creates the potential for administrative inefficiency and duplication of effort. In addition, the provincial government could be funding services which should be the responsibility of the federal government.

As stated in the Auditor's Report, the Deputy Provincial Secretary agreed that this situation could lead to duplication of effort or inappropriate Provincial funding. Furthermore, concerning the matter of Provincial funding of services, it was stated that the Secretariat was exploring, with the Ministry of Treasury and Economics, the possibility of instituting a financial system which would accurately identify the Province's cost of services to Native people.

In a statement of opening remarks addressed to the Public Accounts Committee, the Deputy Provincial Secretary stressed that Ontario is reviewing the issue of federal-provincial responsibility for possible negotiation at the 1984 First Ministers' Conference. In the absence of a formal agreement, Ontario provides the same services to Metis and non-registered Indians as it provides to all other Ontario residents. Registered Indians living off reserve in non-Indian communities also receive the same services as other non-Indian residents. Currently, Ontario is withholding extension of services to registered Indians on reserves except where requested by the band, and reimbursed by the federal government. The federal government believes that, although under the Indian Act, it has sole legislative authority with respect to registered Indians on reserves, this does not convey sole responsibility for the costs of services to Indians.

The Deputy Provincial Secretary felt that the lack of a comprehensive federal-provincial agreement does not automatically result in duplication of effort. A number of federal-provincial agreements are specifically designed to eliminate duplication. One such agreement, the Indian Welfare Agreement, is administered by the Ministry of Community and Social Services on an approximate 95 percent federal and five percent provincial cost-sharing basis. A number of other grants are negotiated on a project-by-project, ministry-by-ministry basis, involving consultation with federal departments in order to avoid the possibility of duplication.

It was emphasized that, although the Secretariat is responsible for monitoring the funding programs for Native people, it is not instructed as to the degree to which this monitoring should be performed. Furthermore, the Secretariat does not monitor the actual amounts of money, or the manner in which the administration of these programs is undertaken. The actual programs are carried out by the appropriate line-ministries. In terms of program funding, the ministries have responsibility for ensuring that their expenditures are made in accordance with the rules of Treasury and Management Board. Specific accountability in this area lies with the deputy ministers of each of the ministries involved.

The Secretariat is, therefore, principally involved with policy matters. Its role is to ensure that the general thrust of the programs in various ministries is complementary. This coordination is monitored by the Interministerial Committee on Native Affairs, which has been in operation for two years. The Committee coordinates ministerial input with regard to the establishment of programs, but it has no role in the administration of these programs. This issue prompted the concern of the Committee as to the degree of coordination and accountability of Ontario programs.

The Auditor pointed out that there seems to be little requirement for accountability on behalf of the Indian bands who receive funding. The question was raised concerning the responsibility or jurisdiction for holding bands accountable for their funds. It was stated that the Secretariat requires a contribution agreement with the organization that receives direct funding, and that the Ministry of Citizenship and Culture requires a report from the band that accepts grant funds. It could not be



explained how other ministries handle accountability reports from the bands. It was agreed that there was some difficulty in having band offices keep comprehensive accounts and submit regular reports. The Deputy Minister of the Ministry of Citizenship and Culture later informed the Committee that the actual bookkeeping practices of band offices is the responsibility of the Department of Indian Affairs. All financial reports received from the bands are reviewed within the Ministry's Native Community Branch according to Ministry guidelines. Financial reporting forms have been developed to assist grant recipients with bookkeeping and reporting procedures.

An actual federal-provincial agreement would have to be consistent with the divisions of responsibility in the Constitution. At this point, it is difficult to ascertain whether one agreement will satisfy all the provinces, or whether the federal government will negotiate separate agreements, depending on particular provincial needs. In the opinion of the Deputy Provincial Secretary, the arrangement would have to be fairly flexible to reflect the changing nature of the problem. In the meantime, with so many different agencies involved, there is certainly the possibility of duplication of effort.

#### Ministry of Community and Social Services

The Auditor examined the programs provided for Native people by the Ministry of Community and Social Services. These were the income maintenance program, the day nurseries program, and the residential home support and counselling services program. Although the Province delivers these programs, it receives funds for 95 percent of the costs from the federal government.

The Auditor noted that the Ministry's General Welfare Manual apparently contained no formal procedures for verifying income support claims paid to Native peoples. Because the Auditor could find no record of procedures, and no audit trail for claims examination, he recommended that procedures employed for claims verification be formally documented.

According to the Ministry, formal procedures to monitor the General Welfare claims verification process are documented in the Claims Examination Manual which was under revision to comply with the Ministry format. With respect to the difficulties experienced by the Provincial Auditor regarding an audit trail for individual claims examination, the regional Income Maintenance Specialists were working with the Subsidy Claims Examiners to more clearly define issues in that area. In a subsequent letter to the Chairman of the Committee, the Deputy Minister of the Ministry of Community and Social Services reported that the revision of the Claims Examination Manual was substantially completed in draft form and that the issue of the audit trail was being addressed by the Income Maintenance Specialists and a committee in the southwestern region of the Province. It was stated that both measures should ensure that adequate procedures are in place and operative.

On the matter of day nurseries, the Auditor concluded that the bands operating the service did not use any eligibility criteria for service recipients, in contravention of the Day Nurseries Act. This legislation requires that the degree of need of recipients be established. The Auditor did note, however, that the arrangements among the Province, the federal government, and the various bands offering the service were not clear. In view of his finding, the Auditor recommended that specific guidelines be developed with respect to day nursery assistance for Indian bands, and that clarification of the conditions under which the federal government will support the assistance, be hastened.

As indicated in the response to the audit, the Ministry receives cost sharing (95%) for day nursery services provided by Indian bands under the provincial Day Nurseries Act. In a subsequent written statement, the Committee was informed that a revised needs test and guidelines for the Provincial Day Nurseries Program have been completed and are being implemented with the municipalities. However, because the Indian Welfare Services Agreement allows for the sharing of costs on other bases such as income testing or statistical sampling, it was felt that implementing detailed needs testing would be unjustified, given that the majority of people on reserves would qualify. Therefore, the Ministry intends to support the claims based on income sampling, which is acceptable for cost-sharing purposes by the federal government.



In an examination of residential home support and counselling services, the Auditor identified what appeared to be some administrative weaknesses in the handling of claims. The Kettle Point Indian Band, for example, received \$199,000 in assistance -- approximately one third of the amount paid to all bands in Ontario. It was found that the claims for this type of assistance were not adequately supported and there was no evidence that attempts had been made to verify the information that did exist.

The Ministry initiated follow-up action on this issue and it has been learned that Ministry staff have been holding discussions with Indian band administrators concerning administrative requirements, guidelines, control procedures and proper documentation in support of claims. While the issue is not completely resolved, the Ministry feels that progress is being made and will continue its efforts to ensure compliance with satisfactory procedures. With reference to the Kettle Point Indian Reserve Band, the Deputy Minister of COMSOC pointed out that the majority of these sorts of grants are provided to southern bands. There are fewer service providers in the northern part of the province and northern bands are more reluctant to use non-native services. The Ministry is, however, continuing to encourage more northern accessibility to, and utilization of, such services.

#### Ministry of Culture and Recreation (Citizenship and Culture)

The Auditor commented on a grant program operated by the Ministry's Native Community Branch, in which there were apparent weaknesses in the program's grant verification procedures. While praising the Branch's planning measures, the Auditor found no evidence that grant files had been monitored or that information in the files had been verified. Furthermore, it was noted that some project reports had not been filed on time, and others did not contain sufficient information to permit an assessment of results achieved. In light of these findings, the Auditor recommended that formal verification procedures or audits be instituted on a selective basis to: a) ensure that the grants are being used as intended and as prescribed; b) identify disallowable costs; and c) encourage the implied contractual compliance on the part of the organizations receiving the grants.

The Ministry accepted the Auditor's recommendations and announced that a review of the Branch and its activities was underway. A grants follow-up system was implemented in April 1981 and a student was hired by the Ministry to analyze grants

and all available verification data for 1980-81. Subsequently, the Committee learned that additional changes were made to the grants follow-up system in January 1983. These changes were designed to promote the timely receipt of adequate project reports. All reports are now thoroughly examined by Ministry staff, and additional procedures include a regular Ministry computer printout of all grant recipients in default to the Ministry, the circulation of a monthly list of outstanding project reports, written procedures for obtaining outstanding reports, and a provision for the returning of funds if requested.

In a written statement, the Deputy Minister of the Ministry of Citizenship and Culture explained that the student hired by the Ministry undertook an analysis of the grants distribution by geographic and grants category. As a result of this review, the Branch has undertaken the development of a computerized grants program data base, which will provide yearly analyses and comparisons of grant distributions. The overall review of the Branch and its activities was conducted by DPA Consulting Limited, and is now completed. The review recommended that the grants application and review process be streamlined. To that end, a grants application form has been devised and a revised committee structure implemented to review the grant applications.

#### RECOMMENDATION:

1. The Committee believes that there should be a well-defined line of demarcation between federal and provincial responsibilities, with respect to funding programs for Native peoples in Ontario -- thereby eliminating the potential for federal-provincial duplication of effort.

The Committee recommends that the Provincial Secretariat for Resources Development, together with the appropriate line-ministries, implement proper and comprehensive procedures for program documentation and the accounting of funds to Indian bands. These should include documentation to support program rationale (i.e., the need for programs) and accounting procedures which verify the proper allocation of funds (i.e., that funds are directed to intended programs). In addition, there should be an accounting by the Indian bands to the appropriate line-ministries, for funds received.

Section 2.19 of the Auditor's 1981-82 Annual Report:  
Continuing Systems and Other Deficiencies re Payment of  
Ontario Pensioners Property and Sales Tax Grants,  
Ministry of Revenue

In his 1981-82 Annual Report, the Auditor had a number of comments pertaining to the Ministry of Revenue's Ontario pensioner tax grants 1981 delivery program. These comments came as a follow-up to remarks that had been made in the 1980-81 Annual Report. The Auditor noted that some deficiencies that had been identified in the 1980-81 Annual Report had not been remedied for the 1981 program or required additional corrective measures. These continuing deficiencies, the Auditor suggested, had the potential for weakening internal control within the Ministry and for reducing the effectiveness of program delivery.

Expenditures for the relevant Ministry of Revenue Programs and Activities are recorded under Votes 801-804 of the Ministry's 1981-82 Estimates.

The Auditor had specific comments about the Ministry's filing and retrieval system. The absence of systematic filing procedures, the Auditor suggested, made retrieval sometimes difficult and time consuming. The Auditor recommended further corrective action. The Auditor also recommended additional refinements in the Ministry's computerized accounting system. One refinement, among other things, would allow the system to accept journal entries.

The Auditor noted that the Ministry's computer system did not reconcile input and output information with respect to grants. By not performing this function, the Auditor suggested, it would not be possible for the Ministry to verify that the total dollar values of its grant payments were correct. In a related financial control matter, the Auditor commented that there were procedural weaknesses in the recording of accounts receivable which had the potential for impeding the identification and recovery of over-payments.

The Auditor had comments concerning two personnel matters. He suggested that Benefit Control Officers were not being used effectively. In his opinion, their duties in the 1981 program reduced their ability to monitor the program and to perform audits. The Auditor also noted that a management consultant had been hired for the 1981 delivery program as Executive Co-ordinator. The consultant worked for one



continuous period, but was paid under three contracts. One contract might have been used, the Auditor noted, and if it had, the Ontario Manual of Administration stipulates that tendering would have been required. No tendering was undertaken by the Ministry.

Finally, the Auditor noted that in the 1980-81 Annual Report a recommendation had been made for the Ministry to ensure that all necessary documentation accompanied application forms. The Auditor indicated that the Ministry had amended its procedures to make it unnecessary for certain documents and information to accompany application forms.

In various written statements and in comments to the Public Accounts Committee, the Deputy Minister of Revenue expressed some concern about the Auditor's comments in Section 2.19 of the 1981-82 Annual Report. The Deputy Minister noted that matters raised in the 1980-81 Annual Report had been addressed by Ministry officials and that new procedures were in place or were being put into place.

The Deputy Minister noted that improvements in the filing and retrieval system had been treated as an ongoing project and were targeted for completion in December, 1982. Enhancements to the computerized accounting system had been initiated during June, 1982 and were due for completion on September 1, 1982. Similarly, new procedures had been introduced to reconcile input and output. Matters concerning accounts receivable were being treated on an ongoing basis. Program delivery requirements had dictated the particular use of Benefit Control Officers. The Deputy Minister stated that the Ministry was satisfied with the results delivered by the management consultant and that value for money had been received.

The Deputy Minister indicated that he and his officials welcome constructive criticism. He also acknowledged that programs, such as the Ontario pensioners tax grants, because of their size and complexity, sometimes operate less than perfectly. The Deputy Minister expressed concern, however, that the Auditor's comments could be interpreted to suggest that the Ministry was not responsive to the need for upgrading its procedures. It was generally acknowledged by the Committee that the Ministry's services to its clients had improved over those of the previous year.

In a written statement, the Provincial Auditor responded to a number of points that had been raised by the Deputy Minister. The Auditor noted that the comments in Section 2.19 pertain to the administration of the 1981 programme. The Auditor acknowledged that the Ministry had undertaken to remedy deficiencies, but that from an audit standpoint, measures taken in 1982 have to be considered in conjunction with an assessment of the 1982 delivery program. In discussion with the Committee, the Auditor suggested that it might be appropriate to allow two or three years to elapse before undertaking another audit of the tax grants program. By allowing that passage of time, it would then be possible to assess the effectiveness of the amended procedures now in place or about to be implemented by the Ministry.



Section 2.9 of the Auditor's 1981-82 Annual Report:  
Assessment of Internal and Management Controls at Computer  
Data Centres, Ministry of Government Services

Section 2.9 of the 1981-82 Annual Report contains an assessment by the Provincial Auditor of internal and management controls for the Ministry of Government Services (MGS) computer data centres. The 1981-82 Estimates for the Communication and Computer Services Program of the Ministry are contained under Vote 506. The Auditor reported on six matters, three of which raise issues of accountability and internal control.

The Auditor concluded that an up-to-date back-up and disaster preparedness plan was lacking for the Ministry's three data centres. The Auditor noted that internal Ministry controls over documenting, authorizing, and implementing system changes were in need of improvement. And, the Auditor suggested, proper project administration and accounting control procedures were not being followed in the three data centres.

The Auditor commended the Ministry for its attention to security at the data centres. The Auditor also noted that operations in the data centres were being conducted in an economical and efficient manner. Finally, the Auditor observed that long and short range EDP planning activities at the Ministry were being conducted and implemented in a positive and effective manner.

The Deputy Minister of Government Services appeared before the Public Accounts Committee to respond to the Auditor's comments. The Deputy Minister noted that the Ministry is addressing the matters raised by the Auditor, particularly in the area of disaster planning. MGS is working with various ministries to develop an inventory of EDP applications. When the inventory is complete it should aid in developing priorities in the event of system failure or disaster. A risk assessment of the computer centres has been completed and it will help identify the most critical operations. MGS is entering into an agreement with a private firm for back-up facilities. The Ministry is also securing commitments from computer manufacturing firms for back-up equipment in the event of a disaster.

The Deputy Minister noted that MGS has encouraged other ministries to participate voluntarily in disaster planning. MGS has met with limited success, according to the Deputy Minister. To deal with the matter of planning, the Ministry is studying the feasibility of forming a unit which would have broad responsibilities for disaster and back-up planning. The unit would develop inventories, aid ministries in defining system and application priorities, develop and test disaster plans, and in the event of an actual disaster, undertake to administer and operate highest priority applications.

The Deputy Minister noted that the Ministry is developing measures for dealing with the matters related to documentation raised in the Auditor's report and is also implementing procedures for enhancing project administration and accounting controls.

#### RECOMMENDATION:

2. In 1975, the Public Accounts Committee recommended to Management Board of Cabinet that "guidelines be drawn up with respect to the use and security of information used and stored by the government computer service."

In 1982, the Committee recommended (#14) that the Ministry of Government Services develop contingency plans for computer system disruption and/or disaster.

The Committee is not satisfied with the overall progress made in computer system security and disaster preparedness. Since this is a matter of some urgency, the Committee requests that Government act immediately to draw up contingency plans for disaster preparedness and that Management Board advise the Committee and Provincial Auditor of the status of these plans and/or policies.

Section 2.5 of the Auditor's 1981-82 Annual Report:  
Control and Administration Deficiencies re Electronic Data  
Processing, Ministry of the Attorney General

Electronic data processing within the Ministry of the Attorney General relates to various branch activities subsumed under the Administrative Services Program. The 1981-82 expenditure Estimates are included under Vote 1402.

In Section 2.5 of the 1981-82 Annual Report the Provincial Auditor examined a number of matters related to Ministry policies and practices for EDP. The Auditor noted control and administration deficiencies.

As a result of the Ministry audit, the Auditor concluded that officials were not giving sufficient attention to overall EDP planning. Within the operations of one branch of the Ministry, the Auditor observed a number of EDP management deficiencies, including poor or no documentation for some applications on one system. In the same branch, the Auditor noted that there were weaknesses in security, back-up, and disaster preparedness. These weaknesses, according to the Auditor, created the potential for damage to equipment and breach of data security. They also meant that the branch might not be able to cope effectively with a major system failure.

In a second branch of the Ministry, the Auditor noted that there were weaknesses in back-up and disaster preparedness. A clear delineation of responsibilities between the Ministry and the Ministry of Government Services, in the event of a disaster, was not in evidence. The Auditor also observed that there were no written procedures for documenting changes in one of the EDP systems for which the branch was responsible.

The General Manager of the Programs and Administrative Division appeared before the Committee to discuss issues raised by the Auditor. The General Manager noted that the Ministry had gained a great deal from the Auditor's report on matters related to planning. As a result of the audit, changes are in the process of being made that will enhance the Ministry's capability to plan. Moreover, the Ministry is developing a policy statement, on the subject of EDP, which will recognize the need to control EDP and to use it in an economic and effective manner. A senior management committee has been struck in the Ministry to establish priorities and to oversee the implementation of new systems.

The General Manager also noted that steps had been taken to address some of the specific matters that had been raised by the Auditor. Security arrangements have been built into systems to prevent unauthorized access and to monitor authorized access. Back-up measures were being prepared. A proposal to upgrade one of the systems commented on by the Auditor is before Management Board.

The Committee subsequently received copies of both the draft policy statement - strategic plan, and the proposal and report to Management Board.

#### RECOMMENDATION:

3. The Committee recommends that the Provincial Auditor determine whether or not new EDP policies and proposals are currently in effect at the Ministry of the Attorney General.



Section 2.6 of the Auditor's 1981-82 Annual Report:  
Deficiencies in Purchasing and Accounts Payable,  
Ministry of the Attorney General

Section 2.6 of the 1981-82 Annual Report dealt with three matters of financial control in the Ministry of the Attorney General. For reference, the 1981-82 expenditure Estimate for the Ministry's Administrative Services Program is contained under Vote 1402. Taken together, the three matters raise issues of economy and internal control.

The first matter raised by the Auditor concerned long distance telephone charges. The Auditor suggested that there were weaknesses in the Ministry's control of long distance costs. The Auditor noted, in a second comment, some deficiencies in procedures for handling discrepancies between purchase orders and invoices. Finally, the Auditor observed that in certain instances there appeared to be overcharges for the use of rental automobiles by members of the Ontario Municipal Board.

Ministry officials responded to the Auditor's comments both in the 1981-82 Annual Report and in discussion before the Public Accounts Committee. Officials noted that new procedures were being implemented to code and verify long distance telephone charges. In the case of differences between invoices and purchase orders, Ministry accounts payable clerks have been given specific direction to ensure agreement. Officials of the Ministry noted that the Ontario Municipal Board has undertaken to clarify its policies on the subject of rental car use. The chairperson of the Board has taken action which should limit unnecessary rental charges.





## CROWN AGENCY OPERATIONS



Section 3.9 of the Auditor's 1981-82 Annual Report:  
Lack of Due Regard for Economy,  
Ontario Place Corporation

The Ontario Place Corporation is designated as a Schedule I operational agency in the Ontario Manual of Administration. The Corporation currently operates under the aegis of the Ministry of Tourism and Recreation; however, in 1981-82, its expenditure Estimates fell under those of the Ministry of Industry and Tourism, Vote 2305.

Section 3.9 of the Auditor's 1981-82 Annual Report raised the matter of a lack of due regard for economy by Ontario Place Corporation in the letting of two contracts. The Auditor's comments also raise the issue of non-compliance with standard procedures on the part of Ministry of Industry and Tourism officials. The Auditor noted that two contracts for work on an exhibit known as "Future Pod" were let without tendering. The Auditor expressed his opinion that the contracts had been let contrary to provisions contained in Section 35.4 of the Ontario Manual of Administration. Section 35.4 contains guidelines which require three competitive bids for the purchase of goods and services.

The Assistant Deputy Minister of Tourism and Recreation appeared before the Committee to discuss Section 3.9 of the Auditor's Report. The initial response to the Auditor's comment, in the 1981-82 Annual Report, had come from the chairperson of Ontario Place Corporation.

The Assistant Deputy Minister stated that the deadline for completing work at Future Pod had necessitated his authorization to forego competitive bidding and award the contracts directly to Display Service Company Limited and Whitby Welding Limited. According to the Assistant Deputy Minister, each company had the experience and expertise to carry out its task. Officials noted that, in their estimation, the most significant part of the Display Service contract was for design services. They went on to add that the Manual of Administration, in Section 50.4, contains provisions for foregoing competitive bidding for technical consulting services in cases of urgency. Officials deemed the awarding of the Future Pod contracts a case in which provisions of Section 50.4 could be appropriately applied.

Discussion before the Committee focused on three issues. Did the Ministry have sufficient time to permit competitive bidding? Was the application of Section 50.4 of the Manual appropriate? Was it proper to award a contract, without a competition, to a company related to the Ministry's advertising agency of record?

Officials of the Ministry contended that the funds approval process for the Future Pod project made it necessary to avoid any delay in awarding the contracts. Documents laid before the PAC, however, seemed to indicate that officials had entered into discussions with the contractors at a time that might have permitted discussions with other possible bidders.

Ministry officials asserted that the most important element of the Display Service contract was for design. Because designing was deemed in this case to be a technical consulting service, and because there appeared to be great urgency, competitive bidding was waived under Section 50.4 of the Manual. In documents laid before the PAC, it was noted that "concept development" represented 8% of the contract value. Construction work on site and shop work represented 80% of the contract's value and such services are not covered by provisions of Section 50.4.

Ministry officials noted, in the case of the Display Service contract, the company's capacity to carry out the work dictated its selection. In discussion, officials allowed that at least one other company had relevant experience. Some Committee Members expressed concern about the appearance of the selection of that company. Display Service was related to the Ministry's advertising agency of record.

In a subsequent letter from the Deputy Minister of Tourism and Recreation, it was confirmed that discussions between the Corporation and Display Service had been held at least two weeks prior to the awarding of the contract. During that time, it was reported, there was no "formal" understanding that Display Service would obtain the contract, although there may have been some expectation. A letter confirming verbal agreements with Display Service, and outlining the terms of the work, preceded a "formal and legal agreement" by approximately one month. The Deputy Minister pointed out that procedures relating to this letter do not represent the standard business practice of the Ministry of Tourism and Recreation.



The waiving of competitive selection procedures for both contracts was approved by the Assistant Deputy Minister, just prior to awarding the contracts. The waiver was applied under Section 50.4 by the Assistant Deputy Minister upon the advice of the Secretary-Treasurer of Ontario Place Corporation.

COMMENT:

4. The Committee regrets the fact that there was not enough lead-time allowed by Cabinet, in the approval process, for a project of this magnitude ("Future Pod"), and deplores the fact that the project was not tendered, in accordance with the policies of the Ontario Manual of Administration.

The Assistant Deputy Minister of Tourism and Recreation indicated, in response to questions, that he would operate in the same manner again, under similar circumstances. The Committee finds this view to be unacceptable.

Section 3.10 of the Auditor's 1981-82 Annual Report:  
Control Weaknesses and Irregularities, Ontario  
Waste Management Corporation

The Ontario Waste Management Corporation was established on July 3, 1981, and is designated as a Schedule II operational Crown corporation in the Ontario Manual of Administration. It is intended to be self-funding, but does, upon occasion, receive funds from the Consolidated Revenue Fund. For this reason, it was included in the 1981-82 Estimates of the Ministry of the Environment under Vote 2104, Item 3.

Section 3.10 of the Provincial Auditor's Report dealt with three areas of concern pertaining to the Corporation. These were employee benefits and remuneration, payments to engineering consultants, and appointment of auditors.

The Auditor noted that an interest-free loan of \$50,000 was granted to a newly-hired employee in 1981. The loan was made for the purpose of relocating the employee from Sarnia to Toronto (where housing costs are higher) and was repayable in yearly instalments of \$5,000 over the next ten years. As such benefits are not normally provided for the recruitment or relocation of government employees, the Auditor recommended that this transaction be approved by the Corporation's Board of Directors. On March 31, 1982, the Board approved a resolution authorizing the loan.

Secondly, the Auditor noted that the total cost to the Corporation for the services of its Chairman, for fiscal 1981-82, amounted to \$99,533. This consisted of \$46,350 in per diem fees for his work on the Corporation's Board of Directors, and \$53,183 in re-imbursements to the Centre for Toxicology, operated by the Universities of Guelph and Toronto. This arrangement was approved by a resolution of the Board of Directors in February and August of 1982.

Payments to engineering consultants during 1981-82 totalled \$847,000. The Auditor identified certain deficiencies pertaining to the consultants' contracts and invoices. In response to this audit, the Corporation adopted the Auditor's recommendations and took corrective measures to: a) issue detailed purchase orders for engineering consultants; b) obtain monthly invoices for individual project costs; c) obtain support

documentation where possible; and d) to renegotiate a 10% surcharge requested by one firm for its services. (This firm was Proctor and Redfern, which is no longer engaged by the Corporation.)

Finally, the Auditor questioned the reason for the appointment of a public accounting firm as the Corporation's auditor when the Ontario Waste Management Corporation Act of 1981 states that the accounts and financial transactions of the Corporation shall be audited by the Provincial Auditor.

The Chairman and President of the Ontario Waste Management Corporation, together with the Corporation's Director of Communications and Chief Budget Officer, appeared before the Public Accounts Committee on two occasions to address these issues.

Before issuing the interest-free loan, the Corporation had retained the firm of Woods Gordon to identify a suitable candidate for employment, and then to provide a relocation package for the employee. Woods Gordon proposed the interest-free loan and its terms. In so doing, the firm suggested that this procedure is "fairly compatible with the private sector". The Chairman of the Corporation pointed out that the alternative would have been to pay the employee a higher salary as compensation, at a cost considerably greater than that of the interest-free loan. Woods Gordon was paid \$55,400 for this and other services during 1981-82. This matter was not discussed with the Minister of the Environment, but was approved by the Corporation's Board of Directors. It was the only time in which an employee has been hired by the Corporation through this process, and the first two instalments of the loan have been paid. Documentation of the relocation package and loan proposal was provided to the Committee, upon request.

Other matters concerning the hiring of consultants involved the firm of Hay Associates Canada Limited, which was retained for the purpose of establishing staff salaries. The firm was paid a per diem rate, with the amount varying, depending on the seniority of Hay Associates staff members involved. The Vice-President performed much of the work, for which he was paid a per diem fee of \$800 or \$900. It was explained that the Corporation thought it necessary to go outside the Government for this consultation, due to the unique responsibilities and qualifications required of its staff, and for operational advice during the

Corporation's early stages of development. It was also stated that these salaries did not require Management Board or Ministerial approval. The Board, alone, had the authority to make these decisions. Services required of Hay Associates have since diminished considerably.

During 1981-82, the Corporation spent \$157,000 for communications consultants. These fees were paid to several firms, primarily for services in the design and print field. At the same time, salaries totalling \$53,237 were paid to a communications specialist on staff and a secretary. This figure represented 18 percent of the Corporation's overall salary expenditure for 1981-82. The consulting firms were not hired through a tendering process. Currently the Corporation's draft procedures manual includes requirements for the tendering of all consultants' contracts in excess of \$15,000, in accordance with the Ontario Manual of Administration. There are now four staff members (one full-time, three contract) in the Corporation's communications section, and although consultants are hired for printing, graphic arts and media monitoring, the Corporation is no longer hiring consultants in a planning or advisory capacity.

With regard to auditing procedures, the Chairman of the Corporation explained that, during the first year of operations, the Board wished to seek the advice of an auditing consultant to aid in the establishment of internal management and accounting procedures. It was also explained that the Corporation did not realize that the Provincial Auditor could provide similar services. The public accounting firm of Thorne Riddell was paid \$5,000 for its audit services in 1981-82, and no longer performs this particular service for the Corporation. During that year, the financial statements of the Corporation were signed by both Thorne Riddell and the Provincial Auditor. The Provincial Auditor now performs the only audit of the Corporation. There are no internal auditors.

Finally, turning to the remuneration of the Chairman of the Corporation, it was pointed out that his per diem rate of \$225 was determined by Cabinet, on the supposition that the position would be on a part-time basis. This did not turn out to be the case and 80% of his time that year was spent on work for the Corporation. Because of that, arrangements were made to reimburse the Centre for Toxicology



for a portion of his university salary, which also included reimbursement for the benefits included in his salary. This payment was based on the assessment of the Chairman's time away from the Centre -- namely 80 percent. Compensation to the Universities was invoiced quarterly. It was stated that this arrangement was approved by the Board of Directors, without consultation with the Minister of the Environment.

On September 1, 1983, a new contract for the Chairman was approved at a salary equivalent to that of a senior deputy minister. This contract was negotiated through discussions among two Board members, the Minister and the Premier's Office. The Committee noted the unusual nature of this procedure.

#### RECOMMENDATION:

5. Officials from Management Board of Cabinet have stated that the heads of Crown corporations are accountable to their parent ministers. This accountability includes the ministerial approval of salaries. The Committee is concerned that this line of accountability was not originally followed, particularly with regard to the establishment of the salary for the Chairman of the Ontario Waste Management Corporation.

The Committee recommends that newly-established Crown agencies, boards, and commissions be advised thoroughly on the application of Government management guidelines, the Ontario Manual of Administration and the Memorandum of Understanding.



Section 3.5 of the Auditor's 1981-82 Annual Report:  
Audit Observations, Office of the Ombudsman

For 1981-82, Estimates for the Office of the Ombudsman Program amounted to \$4,922,000 under Vote 1201. Actual expenditures totalled \$4,828,791.

The audit observations of the Provincial Auditor focused upon the issues of purchasing policies and procedures, and travel expenses, for the Office of the Ombudsman.

Three instances were noted, in which goods and services were purchased without obtaining competitive bids on quotes. Payments totalling \$16,020 were made for the procurement of these goods and services. The Auditor observed that the administrative procedures manual of the Office of the Ombudsman did not contain a policy regarding quotes or bids for the procurement of goods and services. The Auditor was advised that policies and procedures would be developed in compliance with the Ontario Manual of Administration, and that specified dollar amounts for competitive quotes or bids, would be set as guidelines.

The Auditor also noted that travel expenses for the Office of the Ombudsman increased from \$99,600 in fiscal year 1981, to \$133,300 in fiscal year 1982, and that much of the increase was due to conference travel, including travel that took the Ombudsman and the Executive Director to British Columbia, Hawaii, Fiji, Australia, New Zealand and San Francisco.

The Auditor explained that his observations were reviewed in draft form with officials from the Office of the Ombudsman. In a written statement issued to the Public Accounts Committee, the Ombudsman stated that his Office had responded to the Auditor's comments both orally and by letter, before the publication of the Auditor's Report. The Executive Director of the Ombudsman's Office appeared before the Committee to discuss the audit observations and to present an opening statement on behalf of the Ombudsman.

It was pointed out that the policy and procedures for the procurement of goods and services were implemented within one week of the audit review, in September of 1982. The Ombudsman also described the three procurements of goods and services

without documentation of competitive quotes or bids. In the first instance, the Office was updating its salary structure and thought it logical and financially sound to award the contract to the original supplier, who was familiar with the operations of the Office. The Office received an estimate of the work to be performed, the time span involved, and a quote. In the second instance, the Office contacted two separate consultants to verify their services and prices. Due to the confidential nature of the work to be performed, the Ombudsman's Office was also aided by another ministry in selecting the contract for services. Finally, it was pointed out that the third contract was awarded after several other higher price quotations had been received.

The Ombudsman responded to the Auditor's comments concerning travel expenses by stating that the increase in overall travel expenses from 1981 to 1982 was due, not to increased conference travel, but to increased travel related to hearings throughout the province and increased travel by the investigators. Expenditures for conference travel alone increased by some \$8,755 from 1981 to 1982.

When questioned by the Committee on matters or policies of restraint, the Executive Director explained that the Office of the Ombudsman has, for the past four years, been conscious of restraint in preparing its budget. For example, the Office was subject to travel guidelines issued by the Board of Internal Economy and it had to justify the reasons and expenditures for any travel. Trips are planned and budgeted for in advance. The need for appropriate personnel participation is assessed, and travel is generally tailored to current restraint considerations.

On a final note concerning restraint, the Executive Director felt that the Office's relocation from Queen Street to the University of Toronto building was saving the taxpayer a substantial amount, due to the reasonable rent for the space (\$9.70 per square foot). The Ombudsman's Office is operated by 122 full-time and contract employees.

## RECOMMENDATION:

6. The Committee is concerned that the policies of the Ontario Manual of Administration have not been followed by the Office of the Ombudsman. It therefore recommends that the Provincial Auditor review the Office's policies and procedures for compliance with the Manual, and report his findings to the Public Accounts Committee.

Section 3.3 of the Auditor's 1981-82 Annual Report:  
Safeguards Needed re Loan Guarantees,  
the Development Corporations

The Ontario Development Corporations are designated as Schedule I operational agencies under the Ontario Manual of Administration. Because they receive funding from the Consolidated Revenue Fund, they are included in the Estimates of the Ministry of Industry and Trade. During 1981-82, expenditure Estimates for the Corporations fell under the Industrial Incentives and Development Program of the Ministry of Industry and Tourism, Vote 2306.

Section 3.3 of the 1981-82 Annual Report contained comments about the administration of loan guarantees by the Development Corporations. Taken together, these comments indicated the need for more stringent safeguards to deal with the potential of the Corporations having to unnecessarily honour loan guarantees. The matters raised in Section 3.3 address the issues of economy and internal control.

The Auditor dealt with three specific matters. Based on a sample of ten guarantees, it was found that loan securities for two had not been fully registered. In one case, the lack of registration resulted in the Corporations being unable to realize \$200,000 after the failure of a firm. The Auditor noted that financial reporting by lending institutions to the Corporations about borrower difficulties was often untimely. The lack of timely reporting sometimes meant that it would be difficult or impossible for the Corporations' officials to intervene and perhaps solve the borrower's problems. Finally, the Auditor observed that some loans guaranteed by the Corporations contained components bearing interest rates 1.5% to 3% above-prime. The Manual of the Office of the Treasury stipulates that guaranteed loans should bear the prime interest rate because there are no risks involved for the lender. The Auditor suggested that the above-prime rates might be one factor contributing to defaults.

The Executive Director, who is also Chief Executive Officer of the Ontario Development Corporations, appeared before the Committee to discuss matters raised in Section 3.3 of the Auditor's Report. The Executive Director was pleased to report that new procedures had been implemented to address all of the Auditor's concerns. These procedures were designed to improve loan guarantee safeguards.



The Executive Director noted that the number of instances when securities had not been fully registered were few. Efforts were being made to reduce the instances even more. Concerning the \$200,000 the Corporations had failed to realize, the Executive Director noted that the matter was still being pursued and that some portion of the money might yet be recovered.

Procedures for monitoring loan guarantees have also been upgraded. Lenders are now required to notify the Corporations of the principal and interest payments of borrowers. The Corporations can now be alerted when borrowers fall behind in their payments. Further, a three month waiting period has been instituted when it appears that a loan guarantee has to be called. This period allows the Corporations' officials some time to attempt to rectify the borrower's problems.

The Corporations' officials noted that all loans guaranteed by the Corporations now bear no more than the prime interest rate. This new policy, officials stated, may help to reduce borrower financing costs.

In a final comment, the Executive Director noted that the Corporations endeavour to strike a balance between prudence and risk-taking with borrowers. The nature of the service provided by the Corporations does, however, create greater risks. The Executive Director expressed his confidence that the new procedures, prompted by the Auditor's comments, would help to reduce risks.

#### COMMENT:

7. The Committee is satisfied with the testimony heard and commends the Development Corporations for their performance.



Section 4.6 of the Auditor's 1981-82 Annual Report:  
Advances to Ontario Energy Corporation

The Ontario Energy Corporation (OEC) is a commercially-oriented Schedule II operational agency, as designated in the Ontario Manual of Administration. Occasionally, it is funded from the Consolidated Revenue Fund, in which case it is included in the Estimates for the Ministry of Energy. In 1981-82, the Corporation received a Statutory Appropriation of \$325,000,000, under Section 18 of the Ontario Energy Corporation Act. Reference to this advance is made under Vote 2002 of the Ministry of Energy's Estimates for 1981-82.

These funds were issued for the purpose of purchasing one-half of approximately 25 percent of the common shares of Suncor Inc. from Sun Company Inc. of the United States, on December 23, 1981. The shares were purchased by Ontario Energy Resources Limited (OERL), a wholly-owned subsidiary of the Ontario Energy Corporation. The balance of the purchase was financed by promissory notes, totalling an additional \$325,000,000, from OERL to Sun Company Inc. These are repayable in 20 semi-annual instalments, bearing an interest rate of 14.357 percent per annum, and are guaranteed by OEC.

In this regard, the Treasurer of Ontario, through the issuing of a "comfort letter" to Sun Company Inc., has stated that the Government of Ontario would ensure that the Corporation had sufficient funds to pay the promissory notes. The Provincial Auditor noted that such a letter is simply an "expression of intent" and does not represent a guarantee, or give rise to "enforceable contractual rights".

The President of OEC appeared before the Committee to further explain these transactions. It was noted that the shareholder loan of \$325M made to the OEC by the Province has no comfort letter associated with it. The comfort letter only refers to the notes that are outstanding with Sun Company Inc. The \$325M loan is entered in the Corporation's books as a long-term debt due to the Treasurer of Ontario. It is regarded as an opportunity for the people of Ontario to obtain a capital gain from an investment. The President indicated that the Corporation has, from 1975 to 1983, repaid over \$140 million to the Government in funds which previously were made available for use by the Corporation. Of this amount, some

\$85 million was allotted to the repurchasing of shares and the remaining amount was shown as a dividend to the Province. When the time comes to repay the \$325M debt, it will be shown on the Corporation's books as a repayment.

Concerning an additional loan of \$600,000 from the Treasurer, which was itemized in the Auditor's Report, the President explained that it was issued in 1980 for the purpose of financing a solar project with the Ontario Research Foundation. OEC's participation in the project did not materialize, and a portion of the funds were used to finance the Ontario Van Pool project. On July 4, 1983, this loan was repaid. The diversion of funds from one project to another took place with the approval of Management Board and the Ministry of Energy.

With respect to the \$325M in promissory notes, the Provincial Auditor had requested clarification from the Ministry of Treasury and Economics as to whether the associated comfort letter should be considered a contingent liability and placed on the accounts of the Province as such. The Ministry responded that the undertaking was not included in the Province's contingent liabilities on the basis that the comfort letter did not represent a guarantee, per se. The Provincial Auditor emphasized that he accepted this opinion; however, he felt that it should be brought to the attention of the Legislature and the taxpayers of the province, by reference in his 1981-82 Annual Report.

#### RECOMMENDATION:

8. The Committee recommends that the Provincial Auditor request, from the Treasurer of Ontario, all relevant information that would enable him to monitor the number and nature of comfort letters issued annually.

## SPECIAL REVIEWS



### Accountability of Crown Corporations

The Public Accounts Committee met on three occasions in the Spring and early Summer, to discuss the general issue of Crown corporation accountability.

During the initial meeting, Committee Members reviewed the issue, and raised relevant questions and concerns. The primary overriding interest involved the accountability of Crown agencies to the government, Legislature, and the public. In this regard, the Committee Members wished to explore a number of key aspects concerning accountability. These included:

- the role of Management Board of Cabinet;
- auditing of Crown corporations and their subsidiaries;
- adherence of Crown agencies to the Ontario Manual of Administration;
- the review of Crown agencies through the Estimates process;
- the importance of the Memorandum of Understanding;
- implications of the "arm's length" relationship between Crown agencies and government; and
- ministerial accountability.

The Secretary of the Management Board Secretariat appeared before the Committee on two occasions, to participate in the Committee's review of Crown corporations. In his opening remarks and written statements, the Secretary provided an overview of the issue, and discussed mechanisms of accountability under two broad categories -- central control and legislative control.

Section 25 of Management Board's Ontario Manual of Administration provides a policy basis for central control. The Manual defines four Crown agency schedules. Schedule I agencies are funded directly from the Consolidated Revenue Fund. There is considerable policy direction. They are required to adhere to the Manual of Administration and are required to obtain prior Management Board and Cabinet approval for all undertakings and for funds. At the other end of the spectrum, the Schedule IV agencies receive no funds from government and are almost totally independent, from an administrative aspect. In between are the



commercially-oriented agencies, Schedule II, and a group of "arm's length" agencies which are partially or fully funded by a transfer payment from the Consolidated Revenue Fund, which constitute Schedule III. Each agency is also defined as operational, advisory or regulatory.

The approval of Management Board of Cabinet and the Lieutenant Governor in Council is required for the establishment of all 275 Ontario agencies, as well as for their Memoranda of Understanding, the remuneration of all agency appointees and for recommendations on sunset review.

The Secretary defined accountability as "the degree of success or failure in achieving a given mandate." Two mechanisms for measuring this accountability are the Memorandum of Understanding and the sunset review. All Schedule I and II operational and regulatory agencies are required, under the Ontario Manual of Administration, to prepare such memoranda. At the discretion of the minister, a Schedule III agency may also be required to prepare a memorandum. The Memorandum of Understanding is very important in terms of central control, as it sets out the respective roles and responsibilities of the agency, and its parent ministry and minister. It provides a useful reference point against which to judge the performance of the agency. For certain agencies, it establishes the requirements for all financial planning, accounting and auditing arrangements.

The Memoranda are approved by Management Board and Cabinet, and then are tabled in the Legislature. There are 48 Schedule I and II operational agencies, of which 33 have completed their memoranda, and seven are in final draft stage.

All advisory, operational and regulatory agencies established since March 12, 1980, must undergo a sunset review. This assesses the appropriateness of the agency structure, and the extent to which the mandate has been fulfilled. These reviews are tabled in the Legislature. In 1981-82, thirty-nine agencies were reviewed: six were terminated, effective March 31, 1982; one will terminate in March 1984; two were consolidated into one; and the remainder were continued.

In terms of legislative control, it is important to note that 175 of the 275 agencies have been established by legislation and 44, by an enabling clause in the legislation. Therefore, about 30 percent of the agencies have the means for direct input from

the Legislature at their inception. In these cases, the basic mandate of the agency has been set out in the Act. On the other hand, many of the advisory agencies have been created by Order-in-Council, as they are short term, and do not require major expenditures of funds.

Perhaps the key policy concept for ensuring Crown agency control is that accountability of an agency is through its minister, to the Legislature. It is the minister who tables administrative documents, such as the Memorandum of Understanding and the agency's annual reports, and it is the minister who responds to questions raised in the Legislature and defends the Estimates where amounts are provided.

Many amounts in the Expenditure Estimates relate to agencies. In the 1983-84 Estimates, a total of \$837 million was reported for approximately 75 agencies in various ministries. It should be noted, however, that of the 275 agencies, 40 are completely independent of, and receive no funds from, the government. These agencies are, therefore, not part of the Estimates process.

A number of operational agencies are self-funded and are not included in the Estimates process. Included in this category are Ontario Hydro, the Ontario Lottery Corporation and the Liquor Control Board of Ontario, for example. The vast majority of operational agencies, however, are identified within the \$837 million, either as a transfer payment, or as an integral part of the Estimates, such as the Ontario Development Corporations or the Ontario Housing Corporation.

The government's Estimates are referred for detailed review to either a Standing Committee of the Legislature or the Legislature sitting as the Committee of Supply. Therefore, the opportunity exists to question the responsible minister on key aspects of accountability of agencies, such as mandate, direction, control, evaluating and reporting.

In addition to reporting through the Estimates process, two Standing Committees of the Legislature - the Public Accounts Committee and the Procedural Affairs Committee - include agency reviews on their agendas.

In conclusion, it was emphasized that a prime reason for establishing an agency is that less governmental involvement than is normally found within the ministry structure, is required to carry out the agency's function -- whether it be advisory, operational or regulatory. There are, at the same time, many degrees of accountability that should be required of agencies. The agency policies defined by Management Board attempt to relate the degree of control to the appropriate level of independence of the agency. Thus, for Schedule I agencies, adherence to the Manual of Administration and the voting of the budgets through the Estimates is considered to be appropriate. In the case of Schedule 2 agencies, it is believed that, although the minister is fully accountable, the usual financial and administrative controls required for Schedule I agencies, would not allow the agencies enough flexibility. Through these policies, Management Board provides "central control" and consistency across the government, in the administration of agencies. In the final analysis, however, it is the individual ministers who must hold the agencies accountable and who determine the exact requirements of each agency.

One of the concerns registered by the Committee was the degree of emphasis that is usually put on disclosure as a sufficient means of satisfying the requirements of accountability. The Secretary of Management Board agreed that more is involved than the simple disclosure of results, and that the concern for use of public funds and resources, and their stewardship by an agency, should be a significant part of the accountability function, along with the actual achievements or derived results.

The Committee expressed general concern about the matter of disclosure with regard to commercially-oriented agencies, such as the Urban Transportation Development Corporation, which are in competition with other companies in the private sector. How is an effective degree of disclosure and accountability attained, while preserving the corporation's competitive edge through the exercising of its particular mandate? In this case, the Secretary thought that careful questions should be explored by the agency and its minister, to determine the extent to which the disclosure of certain kinds of information might jeopardize the agency's capacity to compete in the marketplace. It may be possible to disclose some information, without placing accountability in direct conflict with the degree of confidentiality required to preserve the agency's interests.



Questions arose concerning the importance of the Memorandum of Understanding and ministerial direction. If the mandate of an agency - particularly a commercially-oriented agency - was clearly stated in its Memorandum of Understanding, and if, over time, this mandate was altered, the importance of revising the Memorandum was stressed. It is Management Board's belief, that although not a legal document, the Memorandum contains an important set of operative guidelines which should reflect both current operating policies and current relationships between the minister and the agency.

Clearly, a Memorandum of Understanding cannot supplant the legislation under which it is operating, but if an agency's mandate changes substantially, and a new Memorandum reflects that change, then a full review of the agency by Management Board would accompany this process. In the absence of sunset legislation, there is an attempt made by Management Board to review agencies on a regular basis, in order to determine their relevance and effectiveness. This is particularly applicable to agencies that are part of the Estimates process and draw from the Consolidated Revenue Fund.

The Secretary provided a list of 29 agencies which are considered to be Crown corporations in the Ontario Government. Fourteen of these come under Schedule II in the Ontario Manual of Administration. Schedule II agencies are generally exempt from the Manual. (Schedule I agencies are required to follow it, as are some Schedule III agencies. None of the Schedule IV agencies follows it.)

For nine of the 14 Schedule II corporations, the Provincial Auditor is named as the external auditor in the enabling legislation of the agencies. The other five agencies have been given the right to name their own auditors. In these cases, public accounting firms have been appointed. The Provincial Auditor explained that he thought Ontario had many effective mechanisms for accountability in place and that he had audit access to many of the Crown corporations. He expressed concern, however, at the increased "arm's length" relationship of Crown subsidiaries to government and the Legislature, which was serving to turn some of the corporations themselves into nothing more than holding companies.

With regard to the internal auditing mechanisms for Crown agencies, the Memorandum of Understanding forms the basis on which audit arrangements are determined for each of the corporations. Most corporations have external auditors; some also have internal ministerial audit staff; and some corporations have their own internal audit committees. In some cases, the minister might request an internal in-depth review to study a particular issue of significance.

In a written submission to the Committee, it was reported that eight out of the 14 Schedule II operational Crown corporations are subject to ministry internal audit branches. Of the six agencies not subject to audit by ministries, three have their own internal audit organizations. The remaining three are subject to audit by the Provincial Auditor.

Concerning the apparent proliferation of subsidiary agencies in Ontario, the Committee questioned the role of the Provincial Auditor and his powers of scrutiny as part of the larger issue of the accountability of subsidiaries. The Provincial Auditor and the Secretary of Management Board explained that, although there is no legal provision that extends the powers of the Provincial Auditor to include Crown subsidiaries, the Auditor has not, thusfar, encountered problems obtaining requested information. An amendment to the Audit Act might ensure this action in the future.

Schedule II commercially-oriented operational agencies are intended to be self-funding. Management Board of Cabinet will authorize such a corporation to fall under Schedule II even if, in the first year or two of operation, it cannot recover all its costs from levies, fees or other sales. During this particular period, that part of the budget requirement which must be voted as an appropriation is considered by Management Board. Currently, seven of the 14 Schedule II operational Crown corporations have this involvement with Management Board. In addition to the scrutiny of Management Board, there is also a more detailed examination between the minister and the corporation, of its entire budget.

It was noted that many of the expenditure items dealt with at Management Board are only a portion of the total operating expenditures of a particular agency. There is not a clean accounting of all the funds spent by any of the corporations. Those



portions of the funds with which they are operating at a profit, or where their tariffs cover the cost of operations, are not considered by Management Board. In the case of the Ontario Northland Transportation Commission, for example, it is only the funding that is supporting other objectives of the government, and where profits are not accrued, that is reviewed by Management Board, the ministry and the corporation. It was emphasized that all requests for funds are conveyed to Management Board through the minister. The minister is responsible not only in theory but in fact, and also, supposedly, accountable. Before requests are made to Management Board, however, there are detailed discussions between the staff of the ministry (acting on behalf of the minister) and the corporation, to determine whether the request is legitimate and economically realistic.

In conclusion, the Secretary of Management Board stated that there are a number of mechanisms that can be employed to ensure that the accountability relationship exists, and functions in a manner that is satisfactory to the Legislature. A major mechanism is the clearly-established policy that the minister is accountable for the Crown corporations that report directly to him or her. In exercising the avenues that are available to the Legislature, such as reviews through Standing Committees, issues concerning accountability might be addressed directly and further clarified with individual corporations.

In September, 1983, the Public Accounts Committee continued its review of Crown corporations. Officials from five Crown corporations appeared before the Committee to participate in wide-ranging discussions concerning activities and levels of accountability relating to their respective agencies. The agencies subject to review were:

- The Ontario Energy Corporation
- The Ontario Lottery Corporation
- The Algonquin Forestry Authority
- The Ontario Housing Corporation
- The Ontario Development Corporations

## COMMENT:

9. The Committee would like to state that it is satisfied that the following five Crown corporations are being administered satisfactorily:

Ontario Energy Corporation  
Ontario Lottery Corporation  
Algonquin Forestry Authority  
Ontario Housing Corporation  
Ontario Development Corporations

### Ontario Energy Corporation

The Chairman, President and Auditor of the Ontario Energy Corporation (OEC) appeared before the Public Accounts Committee to participate in a review of the role and accountability of the Corporation. In a prepared opening statement, a general description of the Corporation's evolution was presented.

The Ontario Energy Corporation was established in 1975 under the Ontario Energy Corporation Act. It is also governed by the provisions of the Ontario Business Corporations Act and is not, therefore, considered a Crown agency for the purposes of the Crown Agency Act. Under the Audit Act, OEC is considered a "Crown-controlled corporation" which means:

. . .a corporation that is not an agency of the Crown and having 50 percent or more of its issued and outstanding shares vested in Her Majesty in right of Ontario or having the appointment of a majority of its board of directors made or approved by the Lieutenant Governor in Council.

The Corporation is not audited by the Provincial Auditor, although under the Audit Act, the Provincial Auditor may have full access to relevant information from the Corporation's external auditor, upon request.

The OEC is a commercially-oriented, Schedule II operational agency, as designated in the Management Board Secretariat's Ontario Manual of Administration. It is intended to be self-funding, but does, upon occasion, receive monies from the Consolidated Revenue Fund. For this reason, it is included in the Estimates of the Ministry of Energy.

The mandate of the Corporation is set forth in the Ontario Energy Corporation Act. The Corporation was established to invest or otherwise participate in energy projects throughout Canada or elsewhere in order to: enhance the availability of energy in Ontario; stimulate exploration for and the development of sources of energy; stimulate expansion of the capability to produce energy; encourage investment in energy projects and the effective use of financial, human and other resources in energy projects; and finally, encourage the development processes and equipment that will avoid wasteful uses of energy and minimize harm to the environment.

A number of mechanisms are in place for ensuring the accountability of the OEC to the government, Legislature and the public. Firstly, overall policy direction is provided by the Minister of Energy, who is also the sole shareholder of the Corporation. In his capacity as shareholder, the Minister elects the Corporation's Board of Directors, appoints the auditors, specifies funding action, and provides a statement of policy guidelines which is translated by the Corporation into areas of potential investment emphasis. These policy guidelines also form the basis of the Corporation's annual planning exercises and its long-range five-year strategic plan.

Secondly, the Board of Directors and its committees meet regularly during the year and report directly to the Minister. The Board carries out the Corporation's mandate, approves the annual budget and five-year strategic plan, reviews and approves all OEC proposals for investment and assesses the performance of management.

Thirdly, in addition to the legal parameters for control set forth in the Corporation's enabling legislation, a Memorandum of Understanding between the Corporation and the Ministry of Energy was tabled in the Legislature on January 10, 1980. This Memorandum requires approval of Management Board of Cabinet, and defines the respective roles of the Minister and the Board of Directors. It also stipulates additional mechanisms of internal and external control. The Memorandum states that the Deputy Minister of Energy will be the Chairman of the Corporation. A formal announcement changing this provision was made in September 1981. This and other revisions to the Memorandum of Understanding are in the process of being made.

In terms of internal controls, the OEC has developed, in accordance with the Memorandum of Understanding, an annual budget process and a comprehensive five-year strategic plan. In addition, an internal audit committee appraises the Corporation's accounting practices, reviews the annual financial statements and ensures that the Corporation's code of business conduct and conflict of interest guidelines are in place. The OEC policies and procedures manual, modelled on the Ontario Manual of Administration, provides the documentation for this aspect of internal control.



External mechanisms for ensuring accountability are exercised through various avenues. The President of the Corporation reports to the Minister following each board meeting, and an annual report is tabled in the Legislature. Included in this annual report, is the auditor's report on the Corporation's financial statements. The Provincial Auditor has access to these statements, the auditor's report, and the audit working papers. The Corporation's auditor, Deloitte Haskins and Sells, also conducts audits of OEC's six subsidiary companies, which are tightly controlled by the OEC. Thus, the Provincial Auditor also has access to the subsidiary accounts which are included in OEC's consolidated financial statements. Finally, external legislative control is exercised through the Estimates process. Government funding for the Corporation is included in the Ministry of Energy's Vote, which is examined by the appropriate Estimates committee of the Legislature as the need arises.

Members of the Committee questioned the witnesses on several issues regarding operations and accountability.

When asked about the Suncor investment, the Chairman of OEC stated that the rate of investment return is a projection of the returns over the life of the investment, and that there was no reason to believe that a return of 15 percent would not be realized. The current rated capacity of the Suncor oil sands plant in northeastern Alberta is approximately 58,000 barrels a day. The life of the oil sands reserve is currently projected to be 24 years, and as of December 31, 1982, the synthetic crude oil proven gross reserves are 418 million barrels. It was pointed out that the effort to attain oil self-sufficiency is one which requires expenditures in many different areas. In this regard, the separate company called Trillium Exploration Corporation was set up for the purpose of offshore exploration, and is currently involved with eight or nine companies in drilling on the Suncor lands on the off-Labrador coast. Trillium is owned jointly by Suncor and OEC.

At the present time, five areas show energy potential - the Mackenzie Delta - Beaufort Sea area, the Arctic islands, off the coast of Labrador, off Newfoundland and the Nova Scotia shelf, and the Hudson Bay area. According to OEC officials, these areas should be explored and invested in. Additional projects conducted by the OEC include: the searching for additional lignite reserves; participation with Tricil and the Ministries of Energy and the Environment, in projects dealing with energy



production from municipal waste; participation with Tricil in converting steam to electricity; using waste heat to produce tree seedlings for reforestation purposes; studying, with the Ministry of Energy, the potential that exists for lignite, wood and peat, and their conversion into such fuel as methanol; and participating, with four other companies, in the research and development phase of the Polar Gas project.

Questions concerning accountability by Committee Members were wide-ranging. Concerning the role of Management Board, it was pointed out that Management Board approves the allocation of funds by the government to the Corporation, and the preparation of the Estimates. It also approves the allocation of additional funds, if necessary. Beyond this, there is no additional involvement, or monitoring of funds by Management Board.

The Committee questioned the implications of the OEC being subject to the Business Corporations Act rather than the Crown Agency Act. OEC officials pointed out that the OEC is structured in a fashion similar to that of a private company and is essentially an Ontario business corporation. Although the Minister of Energy is currently the shareholder, it is conceivable that, in the future, there could be additional shareholders.

The matter of conflict of interest was raised by the Committee through questions concerning outside consultants' fees. The firm of McLeod Young Weir Ltd. provided OEC with financial advice during the Suncor purchase. OEC officials testified that fees were paid to the firm for services rendered, but that the firm did not obtain any commission based on the purchase price of \$650M. The President of OEC did not see evidence of conflict of interest occurring throughout the negotiations with McLeod Young Weir. OEC's conflict of interest guidelines were drawn up to conform with features specified by Management Board, and a copy of these guidelines was forwarded to the Committee on October 4, 1983.

The Committee wished to know the frequency with which consultants are hired and what guidelines are followed. The Committee was informed that because OEC currently has a staff of only 25 (including subsidiaries), consulting assistance is sometimes purchased. The hiring of consultants is treated as a management responsibility within the approved budget which is accepted by the Board of

Directors each year. Often, competitions are held, after which OEC enters into an arrangement on a cost-of-service basis plus a retainer with an organization. In the hiring of consultants, the Ontario Manual of Administration is used as a guide only. It is not followed "religiously".

Although the OEC is not directly involved in media advertising, the Committee asked OEC officials to comment on the proliferation of energy advertisements on radio and television. The Chairman of OEC responded that, since Canada does not have enough oil to be self-sufficient, it is important that the government promote public awareness of energy conservation and its importance for future energy availability. The Committee, while in agreement with this message, registered concern about the expenditure of taxpayers' dollars for such advertising.

On a final note of accountability, the Memorandum of Understanding specifies that the Deputy Minister of Energy is also Chairman and Chief Executive Officer of the Ontario Energy Corporation. In September 1981, the separate, full-time positions of Chairman and President of OEC were created, focusing the Deputy Minister's responsibilities within the Ministry of Energy. The President of OEC stated that this was done in order to give the Board more independence, while at the same time, providing the Corporation with overall policy direction from the Ministry.

### The Ontario Lottery Corporation

The President and Controller of the Ontario Lottery Corporation (OLC) addressed questions from the Committee concerning the Corporation's activities and lines of accountability. In lieu of opening remarks, representatives of the Corporation provided an audio-visual presentation on the organization and function of the Corporation.

The Corporation was established in 1975 under the Ontario Lottery Corporation Act of 1974, as a corporation without share capital, answerable to a minister designated by the Lieutenant Governor in Council. Included in the Corporation's mandate, is the power to "develop, undertake, organize, conduct and manage lottery schemes on behalf of Her Majesty in right of Ontario." Operating as a business organization, the Corporation is a commercially-oriented, Schedule II operational agency, as designated in the Ontario Manual of Administration. It is self-funding; therefore, it does not receive funds from the Consolidated Revenue Fund. For this reason, the Corporation is not included as a line item in the Estimates of the Ministry of Tourism and Recreation.

Through developing and managing provincial government lotteries, the Corporation turns over its profits to the Consolidated Revenue Fund. From there, the funds are dispersed through a variety of ministries to sports, physical fitness, cultural, recreational, health and environmental research and hospital capital projects. (Corporation officials emphasized that the actual allocation of these funds was beyond the Corporation's jurisdiction.) The Corporation has a Board of Directors comprised of nine members and a permanent staff of 200.

The Ontario Lottery Corporation operates five lottery games in Ontario - Wintario (since 1975), the Provincial (since 1976), Lottario (since 1978), Super Loto (since 1980), and Lotto 6/49 (since 1982). The Corporation distributes and markets tickets for these games via a province-wide network of 46 distributors and 19,000 retailers. The distributors are appointed by the Board of Directors.

The Ontario Lottery Corporation also participates in joint undertakings with other provinces through the Interprovincial Lottery Corporation. OLC purchases tickets from the Interprovincial Lottery Corporation and markets them in Ontario. Proceeds from these tickets remain in Ontario.



The Corporation's gross income during the fiscal year 1981-82 totalled nearly \$507 million, and net profit/proceeds generated for the Consolidated Revenue Fund amounted to some \$158 million, a \$9 million increase from 1980-81.

While the mandate of the Corporation is defined in the Ontario Lottery Corporation Act, a Memorandum of Understanding between the Corporation and the Ministry of Tourism and Recreation was signed in 1982. The Memorandum, approved by Management Board of Cabinet, specifies guidelines under which the Minister and the Corporation's Board of Directors are to operate. The Corporation is accountable to the Legislature through the Minister, who tables the Corporation's annual report in the Legislature. It is the Minister who approves any policies affecting the Corporation, including the establishment of the games. The Board of Directors, in addition to managing the affairs of the Corporation, advises the Minister on a regular basis and submits quarterly and annual reports for the Minister's approval. These reports involve financial objectives and statements, budgets and marketing plans.

As a Schedule II agency, the Corporation is exempted from most of the requirements of the Ontario Manual of Administration. Nevertheless, the Memorandum of Understanding states that the Corporation follows the intent of the Manual's guidelines where applicable. An internal audit committee reviews the Corporation's financial statements which are also audited annually by the Provincial Auditor. The audited financial statements appear in the Corporation's annual report and the Ontario Public Accounts.

In questioning officials from the Ontario Lottery Corporation, the Committee Members were interested in a variety of issues. One of the most prominent concerns had to do with corporate advertising. The Corporation's advertising budget is about \$17 million. This amount represents about three percent of the sales dollars. In the opinion of the Corporation's President, this percentage is not large, when the figure includes the advertising of winning numbers, TV shows and research, and when, although the costs of advertising have increased over the years, the Corporation's percentage of advertising costs has remained constant or even declined from what it once was. This, despite the fact that there are now five games. The President also stressed that the Corporation is attempting to limit its

expenditures and to bring good taste to its advertising. When questioned about advertising agencies, it was explained that there are four agencies handling the Corporation's advertising: the Hayhurst agency handles Wintario; Case Associates handles the Provincial; Foster Advertising handles Super Loto and Lotto 6/49; and Promo Vision handles Lottario. These agencies were chosen through a process of elimination, by the Board of Directors after receiving proposals from a number of firms. The average agency receives an approximate 15 percent commission on commissionable advertising. Citing examples, upon request, the President stated that last year, about \$4 million was paid to Hayhurst, \$3.5 million was spent on Lottario (to the firm of Cockfield Brown), sums of \$2.6 million (for Lotto 6/49) and \$1,665,000 were paid to Foster Advertising, and \$2.8 million was paid to Case Associates. When asked why the Corporation did not enter into a tendering process for consultants, as required by the Ontario Manual of Administration, the President responded that, since advertising is a creative business, and tendering has the connotation of buying at the lowest price, the tendering process was not appropriate for the selection of advertising agencies. Due to the general concern of the Committee Members, the President stated that a written account of the Corporation's advertising policy would be made available to the Committee. To date, this information has not been provided.

On matters concerning the choosing of ticket distributors, the President of the Corporation stated that a subcommittee of the Board of Directors is responsible for reviewing the applications and choosing a distributor when an opening occurs. There is no need to advertise the position due to the large number of applications on file. Chosen applicants are interviewed and the Committee makes its recommendation to the Board. Distributors are chosen across the Province according to projections of the money a distributorship might generate in gross commissions. The average in gross commissions works out to be around \$180,000, with net commissions after expenses, amounting to between \$30,000 and \$90,000. The difference is contingent upon the territory to be covered, field staff, operating costs, travelling costs, etc. The President expressed the view that more distributors would be desirable; however, at the present time, additional terminals are not available. Should it become possible to purchase new terminals, they would be Canadian-made. Currently, there are 1,900 terminals across the province and 500 or more additional terminals could be easily placed.



Discussions arose on the subject of new and/or additional lottery games. It was explained that the idea for a new game begins at the Corporation staff level. From there, a recommendation is either approved or turned down by the Board of Directors. Upon approval, it is then transmitted to the Minister who, with concurrence, would submit it to Cabinet for final approval. When asked if there were any plans to institute daily lotteries, sports pools, or video lottery games in Ontario, the President stated that there are no plans for the establishment of any of these. He did, however, state that Ontario might have an instant winner's game some day.

Members of the Committee also raised questions concerning free tickets and unclaimed prizes. The Corporation's financial statements showed about \$58 million worth of free tickets. This caused some confusion, and it was explained that the free tickets are shown in the statements as both a source of revenue and as an expense to the Corporation. As of March 31, 1982, \$27,628,999 worth of unclaimed prize money was included in the Corporation's financial statements. Representatives from the Corporation were asked how long this unclaimed money is held. The Committee was told that this money is held in a special prize bank account for one year. At the expiration of one year from the date of the draw, the prize may no longer be claimed, and the money is used to conduct bonus draws. Essentially, once the money is put into the prize account, it emerges only in the form of prizes. In Ontario games, unclaimed prize money reverts to bonus money only for the game from which it was generated. For the interprovincially run games, the bonus money may be transferred from game to game. Certain Members of the Committee believed that the Corporation was not doing enough to remind customers to claim their prizes. The President of the Corporation did not agree.

Some Committee Members wished to register a concern about the government being in the lottery business, generally, and felt that Ontario should be confining its efforts, not expanding them, in the field of government lotteries. A similar opinion was expressed in 1980, in recommendations issued by the Standing Committee on Procedural Affairs. The President assured the Public Accounts Committee that the Corporation was very sensitive to the potential impacts of lotteries on the people of Ontario, and that this issue was being monitored carefully.

### Algonquin Forestry Authority

The Chairman, General Manager and Secretary-Treasurer of the Algonquin Forestry Authority appeared before the Public Accounts Committee to answer questions concerning the operations and accountability mechanisms exercised by the Authority. In an opening statement, a description of the Authority was presented.

The Algonquin Forestry Authority was established in 1974 under the Algonquin Forestry Authority Act, to harvest Crown timber in Algonquin Park, to sell the logs, and to carry out authorized forestry, land management, and other programs and projects. It was set up as a commercially-oriented, Schedule II operational agency, as designated in the Management Board Secretariat's Ontario Manual of Administration. It is intended to be self-funding, but does, upon occasion, receive monies from the Consolidated Revenue Fund. For this reason, it is included in the Estimates of the Ministry of Natural Resources. The Authority is a Crown agency without share capital under the Crown Agency Act.

Various forms of legislative and regulatory controls hold the Authority accountable to the government and the Legislature. The first of these is the Authority's enabling legislation, the Algonquin Forestry Authority Act. The Act outlines the objects (or mandate) of the Authority, which essentially relate to timber harvesting in Algonquin Park, and provides for forestry operations, grants, loans and the application of funds.

The operations of the Authority are also governed by the Crown Timber Act, which provides for timber licensing and the regulation of logging operations, and the Provincial Parks Act which provides a master planning process for Ontario parks. This process is further defined in the Algonquin Provincial Park Master Plan which is an expression of Ministry of Natural Resources' policies relating to multiple land use within Algonquin Park. In addition, the activities of the Authority must conform to the provisions of a Forest Management Plan which defines forest management strategies based on an inventory of growing stock.

Under the authority of the Crown Timber Act, a Memorandum of Agreement was issued in 1975 to specify volume harvest levels, and product distribution to the mills dependent on this source of raw material, and which fall under the Authority's

jurisdiction. As the sole timber licence holder in Algonquin Park, the Authority replaced these former licenced timber companies which were operating under the Crown Timber Act.

Finally, the Algonquin Forestry Authority is governed by the provisions of a Memorandum of Understanding between the Authority and the Ministry of Natural Resources. Signed in 1981, this Memorandum provides for the implementation of the Forest Management Plan, provides for the loan process, and describes the self-sustaining financial basis upon which the Authority operates.

The Memorandum also describes other aspects of accountability inherent in the roles of the Minister and the 11-member Board of Directors and in the auditing of the Authority's financial statements. In all matters pertaining to timber harvesting and delivery, the Authority is accountable to the Minister. The Board submits quarterly reports to the Minister. The Minister and Management Board of Cabinet are responsible for financial administration and the allocation of funds, and accountability to the Legislature is provided through the tabling of an annual report and through the Provincial Auditor, who audits the Authority's financial statements. The Authority is not subject to the administrative policies established by Management Board, unless they apply to Schedule II agencies. In this regard, the Authority has its own policies and procedures manual which differs from the Manual of Administration primarily in terms of hours of work and working conditions.

Members of the Committee noticed that, during fiscal year 1981-82, the Authority experienced a financial loss of some \$83,000, while total sales were in the neighbourhood of \$8 million. According to Authority officials, production volume fell short of target and therefore the Authority's break-even margin for covering expenses fell short. The situation was caused mostly by the recession and by certain unpaid bills. (Parties responsible for these accounts are no longer in business.)

The Committee was interested in the issues of silviculture practices, reforestation, and forest management techniques, generally. The General Manager of the Authority stated that, since 75 percent of the forest area in the Park consists of hardwood stands - primarily sugar maple, which seeds prolifically almost every year - there is little need for artificial regeneration. Sound forest management practices, which include partial cutting of timber, usually allow for ample natural regeneration. The remaining 25 percent consists primarily of white and red



pine, poplar and white birch. The latter two species regenerate naturally in profusion, while the pine species take from three to ten years to seed. The logging system for pine is based, therefore, on a "four-cut shelter wood system" which begins when the stand is 80 years old and is phased over four 20-year periods, allowing a young stand to become established. Under the provisions of the Forest Management Plan, surveys are conducted regularly to determine requirements for artificial regeneration. For now, harvesting and silviculture are integrated operations, with the major expenditure for silviculture occurring in the marking of trees for selective cutting. Some planting and site preparation for red pine is also conducted.

In terms of forest management, the General Manager explained that about 75 percent of Algonquin Park is available for logging. The Park is zoned for particular uses and logging may only be carried out in what is called a "recreational utilization zone". The Authority must conduct its activities in a way that avoids conflict with recreational users. Its operations are subject to a detailed planning process, which includes a 20-year forest management plan, a five-year operating plan and a very detailed annual plan. In preparing the annual plan, discussions with Ministry staff are conducted to determine the possible impact of operations in various Park locations. No clear-cutting of timber is performed by the Authority except in cases of major insect infestations, fire or blowdown. In cases of clear-cut, the need for artificial regeneration treatment is assessed.

Additional issues with respect to the Authority's operations, and which were raised by the Committee, included staffing and scaling procedures. As pointed out by the General Manager, the Authority currently employs 20 permanent employees, including seven professional foresters. About 40 seasonal staff are hired annually, most of whom are engaged in tree marking, with a few scalers to measure timber. Certain Committee members expressed concern that seasonal staff were not provided with any benefits, as were the permanent staff. The General Manager felt, however, that the Authority paid competitive salaries for this kind of work. It was explained that scalers are hired by the Authority to scale according to the scaling manual under the Crown Timber Act and a scaling agreement with the Ministry, which serves as a measurement for the assessment of stumpage. With some exceptions, most companies use the government scale to pay their cutters and most companies are satisfied with that arrangement. Only veneer logs are scaled separately on a commercial basis.



With respect to financial matters, the Authority is designed to be essentially non-profit; however, revenue accruing to the Crown from its operations amounted to \$971,979 in 1981-82. This comprised revenue from stumpage charges, which are made up of Crown dues rates and bonus rates. The reason that the Authority's operation is not more profitable is that it is charging its mills Crown timber prices rather than market prices. It was pointed out that, in addition to revenue accrued from stumpage charges, the harvesting and manufacturing of Algonquin forest products provide employment for over 3,000 people and about \$41 million to Ontario's economy.

The Authority receives funding from the Ministry of Natural Resources in the form of annual loans which appear in the Ministry's Estimates. These loans are repaid each year. They are required because under the Algonquin Forestry Authority Act, any borrowing by the Authority must occur through the provincial Treasury. Due to the seasonal nature of the Authority's operations, this loan arrangement is necessary, particularly at fiscal year-end. The rationale for this inability to borrow money from commercial banks was questioned by the Committee. The General Manager responded that initiatives were in process to secure an amendment to the Act to provide for commercial borrowing.

A final question concerning accountability raised the issue of the arm's length position of the Authority between government and industry. The General Manager expressed the opinion that this was an important functional aspect of the Authority's operations. The last program review of the Algonquin Forestry Authority was conducted four or five years ago by Management Board of Cabinet and since then, the Provincial Auditor has conducted annual value-for-money reviews of the Authority.

### The Ontario Housing Corporation

The Chairman and General Manager of the Ontario Housing Corporation (OHC) appeared before the Committee to participate in a review of this agency. Also attending these meetings were the Director of the Financial Services Branch and the Senior Solicitor from the Ministry of Municipal Affairs and Housing.

Background information concerning OHC was provided in a statement of opening remarks. The Corporation was established in 1964 under the Ontario Housing Corporation Act, at which time, it was given control of 6,000 low-rental units in the Province's public housing portfolio. During these early years, the Corporation purchased existing housing units and launched a major public housing construction program. During the mid-seventies a decentralized Provincial approach to the management of public housing resulted in changes in the role of the Corporation. Land assembly, development and housing construction decreased and OHC became more of a manager of the Province's public housing portfolio. Today, OHC provides rental housing to qualified families and senior citizens with low and moderate incomes, as well as physically-handicapped and mentally-retarded individuals.

The Ontario Housing Corporation owns 84,386 housing units, composed of 42,285 for families and 36,101 for senior citizens. The Corporation also has 11,162 units under rent supplement programs and agreements with private landlords. In addition, OHC subsidizes 4,157 units under the community-sponsored housing program and 15,063 units operated by Metropolitan Toronto Housing Co. Ltd. In total, OHC is currently subsidizing about 114,000 units in Ontario. The cost of this program is about \$6 million a week, shared by the federal and provincial governments. The Corporation's assets have a book value of approximately \$1.5 billion, with a replacement value at today's prices of about \$3.4 billion.

The powers of the Corporation are drawn from the Ontario Housing Act and the Housing Development Act. This legislation empowers OHC to acquire, maintain and dispose of land, service and construct building developments on the land, and to manage housing accommodation. The Corporation is a Schedule I operational agency, as designated in the Management Board Secretariat's Ontario Manual of

Administration. The affairs of the Corporation are managed by a Board of Directors consisting of a Chairman, Vice-Chairman (and Chief Executive Officer) and a maximum of 11 members appointed by the Lieutenant Governor in Council. The Board is responsible to the Minister of Municipal Affairs and Housing.

The administration of OHC's assisted housing programs is conducted through a network of 61 Local Housing Authorities. These are established by Orders-in-Council and each Authority operates under a management agreement with OHC, which stipulates the duties and limitations of the Authorities. The number of members of each Authority is determined by the size of the portfolio to be administered and appointments are made on the basis of nominations from the federal, provincial and municipal governments in established proportions. The Local Housing Authorities are operated by some 2,967 Crown employees, and are advised and monitored by OHC's six branch offices. The Authorities manage their portfolios with a certain degree of discretion in responding to specific and local needs of their tenants.

Funding for the Corporation is shared by the provincial and federal governments. Canada Mortgage and Housing Corporation approves the federal funding, while provincial funds are approved by the Ontario Legislature through the annual Estimates process. Because OHC receives funding from the Consolidated Revenue Fund, it is included in the Estimates of the Ministry of Municipal Affairs and Housing. The Minister of Municipal Affairs and Housing determines the level and purpose of funding to OHC, and budget allocations are approved by the Treasurer and Management Board of Cabinet.

In accordance with the Ontario Housing Corporation Act, an annual report on the affairs of the Corporation is made to the Minister, who submits it to the Lieutenant Governor in Council, and tables it in the Legislature.

In accordance with the requirements of the Ontario Manual of Administration, a Memorandum of Agreement (understanding) was signed between OHC and the Minister of Housing in 1979. The Memorandum details the powers and objectives of the Corporation and sets forth the operating roles and responsibilities of the Minister and the Board of Directors. As a Schedule I agency, OHC is required to follow the administrative policies set forth in the Ontario Manual of Administration.



Members of the Committee were interested in various aspects of the Corporation's housing programs. When questioned about OHC's involvement in the provision of additional housing units in the Province, it was emphasized that, since 1978, OHC has not been constructing any subsidized housing. The mandate of the Corporation, stemming from government policy, has shifted from construction to property management. When, in 1978, the federal government terminated all direct mortgage financing to the provinces, the provinces turned to the private sector and borrowed funds from approved lenders for about a year and a half, in order to complete the construction projects which were then underway. The only capital program that Ontario currently supports is the federal government's rural housing program. This includes the addition of about 20 to 50 units a year under the assisted senior citizen rental program in remote communities.

This rural program is a subsidized home ownership program for families, and a rental program for seniors. Most of the projects are very small -- in the 20 to 30 unit range. The communities are usually in northern areas and have populations of fewer than 2,500 residents. The federal government is responsible for overall program delivery and for paying 75 percent of both the capital costs and the ongoing subsidies. Because the program is heavily subsidized (on a 75-25 percent cost-sharing basis) it is directed to the most needy. There is minimal owner equity in the purchase price of these units, and when people leave, the costs for repairs are sometimes very high. OHC and CMHC are, therefore, monitoring problems in the administration of this program. In the last few years, it has become evident that the need for the program may be diminishing and thus the number of new units has also diminished. About 285 new units have been proposed for 1983.

By far the largest part of OHC's portfolio is a 50-50 cost-sharing arrangement with the federal government. Only 6,000 units are funded by a 75-25 percent arrangement. OHC is currently experiencing a \$6 million-a-week operating cost for its total subsidies program. If costs continue to rise, this figure will rise, in the next two or three years, to \$1 million a day in total subsidies. Furthermore, OHC is directly responsible for over 6,600 buildings, some of which are over 20 years old. Therefore, massive maintenance programs are in place. Maintenance costs are increasing, and by the mid-to-late 1980s, maintenance costs will constitute major expenditures.



Currently, the full allocation of units to Ontario by the federal government is being directed to the municipal nonprofit, the private nonprofit and cooperative programs. The allocation figure is about 2,500 units a year, in total, for all three programs, and this is being gradually reduced each year by the federal government. The primary thrust of Ontario's policy is the support and encouragement of the municipal nonprofit program. This program falls under the aegis of the Ministry of Municipal Affairs and Housing. The private and cooperative program is delivered by the federal government through CMHC.

Officials from the Corporation supplied the Committee, upon request, with a breakdown of available units in these three programs. The following figures include units that have been built since 1980. In the municipal nonprofit program, there are 3,195 family units, 948 seniors' units and 10 special projects units, for a total of 4,153 units. Of this figure, 1,261 units are subsidized on a rent-geared-to-income basis. The total number of units built under the federal private nonprofit program in Ontario is 11,767. In addition, the federal cooperative program has a total of 17,929 units. Of these units, 998 are subsidized by the Ministry through its Ontario community housing assistance program or the housing assistance program, which provide subsidies to supplement the federal funds.

Under the rent supplement program, the cost of which is shared on a 50-50 basis between the federal and provincial governments, OHC subsidizes 11,162 units. Under this program, private landlords take referrals from the Local Housing Authorities' waiting lists and enter into a lease arrangement with a tenant based on rent-geared-to-income. OHC makes up the difference between the rent the tenant pays and the agreed market rent negotiated with the landlord. The decision to increase units under this program is contingent upon the degree of need in a given community, the availability of units, the willingness of landlords to participate in the program, and the federal allocation of units to this particular program. At the present time, OHC does not know what the federal allocation will be for 1984. The federal government consults with the Province to determine the degree of need and makes the ultimate allocation decisions.

It was pointed out that there is currently an eight to nine percent turnover rate of occupancy in OHC units, and the waiting lists for subsidized housing have been increasing every year since 1977. As of September 1, 1983, there were 25,919

families and seniors on the waiting lists. These lists are monitored on a regular basis by the Local Housing Authorities. According to a regional breakdown, the list is greatest for Metropolitan Toronto.

The Committee raised questions concerning the acceptance of applicants by means of a point rating system. The General Manager of OHC explained that a consistent point rating system is used by all Local Housing Authorities in establishing the priority needs of applicants on the waiting lists. Those demonstrating the greater need, and thus the higher number of points, are offered the units. Applicants have access to their files, upon request. The point rating system is constantly under review by the Local Housing Authorities. The system underwent a major review about two and a half years ago, which resulted in an emphasis on the criteria of affordability, the percentage of income for rent, a family's gross income, the number of children etc. These factors are weighted in the system.

It was noted that about 6,000 OHC units are managed by private companies. Through this process, which began over 10 years ago, OHC has been monitoring private sector methods of management and cost efficiencies. Three or four companies are involved, which receive fees on a unit-per-month basis through a competitive tendering process. The Committee was concerned about the comparative costs involved in private versus public sector management. Officials from OHC explained that there have been some problems with this arrangement, and the process is currently being assessed. To date, however, there is no final (or draft) comparative study with which to determine a dollar comparison of OHC management costs and those of private sector contracts. Corporation officials felt that making such a comparison would be like equating apples and oranges. There were many qualifiers involved. However, it was an issue receiving attention and examination, and it was possible that such cost figures could be available in the future.

On matters of accountability, the General Manager explained that the Corporation is audited by the Provincial Auditor and that an audit committee of the Corporation's Board of Directors reviews the Provincial Auditor's comments and findings. The actual internal auditing, however, is conducted by the internal audit branch of the Ministry of Municipal Affairs and Housing. This branch performs financial audits of the 61 Local Housing Authorities and the private management

companies. In addition to the financial audits, OHC's six branch offices conduct management or operational reviews. The possibility of carrying out value-for-money audits is currently under consideration. The Corporation operates under the guidelines of its Memorandum of Understanding and the Chairman meets with the Minister of Municipal Affairs and Housing on a monthly basis. The General Manager of OHC expressed satisfaction with the types of control and lines of accountability under which the Corporation currently operates.



### The Ontario Development Corporations

Officials from the Ontario Development Corporations appeared before the Committee to discuss the activities and responsibilities of the Corporations. Representing the Development Corporations, were the Chief Executive Officer and Executive Director, Secretary and Legal Counsel and the Director of Legal Services. Also in attendance, were the Chairman and Assistant to the Executive Director of the Ontario Development Corporation.

The Ontario Development Corporation (ODC) was established in 1966 to: a) reduce the importation of foreign manufactured products; b) encourage the development of new products and technologies; and c) increase the Province's share of the world's export markets. During the 1970s, in response to the particular needs and specific characteristics of different regions within the Province, the Northern Ontario Development Corporation (NODC) and the Eastern Ontario Development Corporation (EODC) were created.

Although each of the Corporations has its own Board of Directors, the NODC and EODC are represented on the Board of Directors of the ODC. The ODC Board establishes policy for the three Corporations. The programs and policies of the three Corporations are also coordinated through a single management and administration under the direction of the Executive Director and Chief Executive Officer. The Chief Executive Officer is appointed by the Lieutenant Governor in Council, as are the Chairmen, Vice-Chairmen and members of the Boards.

The Corporations implement the economic policies of the Ontario government. Therefore, they report to the Minister of Industry and Trade, who, in turn, reports to Cabinet on matters concerning the Corporations. The total staff for all three Corporations is 180. The Chief Executive Officer meets with the Minister at least once a week on matters raised before a Ministry Management Committee. The affairs and financial statements of the Corporations are reviewed both by the Ministry's internal audit staff, and by the Provincial Auditor. The Corporations are Schedule I operational agencies under the Ontario Manual of Administration. Therefore, they are subject to the policies and guidelines set forth in the Manual. They receive funding from the Consolidated Revenue Fund and are therefore



included in the Estimates of the Ministry of Industry and Trade. The annual Estimates must be approved by the Boards, the Minister and Management Board of Cabinet.

While the mandate of the Corporations is defined in the enabling legislation, Management Board requires that a Memorandum of Understanding also be prepared. The Memorandum between the Ministry of Industry and Trade and the Development Corporations was tabled in the Legislature in October of 1982. Significant guidelines governing direction, control and accountability are contained in this document.

The Corporations issue an annual listing of loans and guarantees. Although not a legislative requirement, a more comprehensive report is also published from time to time. The report for 1982-83 is intended to convey a wider description of the Corporations' activities.

The Development Corporations provide financial assistance (or risk capital) to small businesses, which may not have access to the loans or capital required to operate. Small businesses are usually defined as organizations having 100 or fewer employees, and 96 percent of the Corporations' business is conducted with these organizations. In this regard, the Corporations play a significant role in the start-up activity of small businesses and the creation of jobs. The two major areas of concentration are the secondary manufacturing (and exporting) and tourism sectors. Financial assistance generally falls within three categories: term loans (with or without incentives); loan guarantees (with or without incentives); and export support loans to finance export sales.

In terms of dollars, the largest of the Corporations' activities, on an annual basis, lies with trade, and the provision of working capital for export receivables. Because this is an ongoing process, a small number of staff are devoted to it. The second largest portion of current activity is directed toward industry. Because of the size of this portfolio and new activities (such as the administering of certain BILD programs) over 60 percent of the Corporations' human resources are deployed for this activity. Tourism assumes about 20 percent of corporate business. The number of cases, and the loans involved, are small; however, the program requires substantial staff attention.

In cooperation with the Ministry of Citizenship and Culture, the Development Corporations administer a 10-year-old financing program to provide working capital for Canadian-owned Ontario publishers of Canadian Books. They also own and operate two industrial parks, are landlords for some 350 families, and manage the sale of undeveloped land at the Sheridan Park Research Community in Mississauga, Ontario.

The Corporations also act as agents for several ministries, programs and agencies, including BILD, the Employment Development Fund, the Rural Employment Incentives Program and the Rural Industrial Infrastructure Program, and the Small Business Incentives Program.

The Corporations have offices in London, Kitchener, Peel, Mississauga, Kingston, Ottawa, Timmins, Sudbury, Peterborough, North Bay and Hamilton. Some of these and other centres are served by the Corporations' consultants from other cities. The demand for activity determines the location of offices.

Term loans are usually provided to businesses for fixed assets such as equipment or accommodation, with the usual terms of three to seven years. Guaranteed bank loans have been particularly successful in the tourism area, where the major activity has focused on the Tourism Redevelopment Incentive Program (TRIP). Also, there are incentives such as lower interest rates and extended time for repayment. Tourism loans are two percent lower than the Corporations' normal rate. The normal rate charged is approximately the same as that of Ontario Hydro bonds. Currently, there are about 2,000 active loans and guarantees directed to manufacturers for expansion and the creation of new plants. There are another 250 working capital loans to provide financing for export receivables, and 600 active loans for tourism -- primarily in the accommodation portion of the sector.

The success of the Corporations' activities is measured largely by the creation of jobs. The Corporations do not actually create jobs; rather, their activities are regarded as a catalyst for job creation. During the past five years, the Corporations, in partnership with the private sector, have helped to create more than 70,000 jobs.

The Corporations are funded, firstly, through statutory funds, voted directly, through the Estimates process, to the Corporations every year. Those funds are about \$31 million for 1983-84. This is the amount of money earmarked for the direct loan program for industrial sector plants and equipment. There are also about \$4 million worth of guarantees. When funds are recovered, they are returned to the Consolidated Revenue Fund.

Additional funds are voted each year for the purpose of short-term export support loans. This money flows in and out of the system and currently about \$37 million is dedicated to this activity. Funding is also provided by the Board of Industrial Leadership and Development (BILD), for which the Corporations administer three major programs. These are the Tourism Redevelopment Incentive Program (TRIP), a high-technology program and a tourism upgrading program.

Each Corporation does not receive a certain amount of money. Funding is contingent upon the activity and there is little distinction in terms of funds allocation, between the Corporations' acting as agents for another body or ministry, and acting on their own behalf. There have been times in the Corporations' history when funds have been depleted and requests for supplementary funds have been denied. It has also happened that, due to decreased activity, funds were returned to Treasury by the Corporations.

Officials of the Corporations informed the Committee that the basic goal of their operations is the creation of long-term, stable employment for the Province. The success of this goal depends, to a large degree, on the creation of jobs; however, it also involves the concept of regional development. If there is a particular need for a particular business or service in an area, the Corporations would give this careful attention. And, although most of the Corporations' funding activities involve very small businesses, larger firms are occasionally given assistance, depending on the situation.

It was stressed that Ontario's communities compete for industrial development, and therefore, the Corporations were careful to avoid the encouragement of regional competition. Every application for assistance is reviewed with the potential implications of this in mind. Should a firm wish to relocate within the Province, and



if its reasons for doing so are economically sound, the Corporations would take steps to discuss the entire matter with municipal or regional officials. However, it was pointed out that they do not usually help in business relocation unless jobs will be made more secure, or Provincial policy warrants the shift.

The Corporations receive about 10,000 inquiries for loans annually and discussions are held with roughly 6,000 applicants. Sometimes the Corporations act in an advisory capacity only. In many other instances, the Corporations negotiate with the client for a period of perhaps five months or so, to develop a case in detail. After this stage, very few applications are turned down. Every loan request is reviewed to determine its organizational and economic viability and the parameters that would encourage job creation.

The Chief Executive Officer has the power to approve loans of \$100,000 or less. About two-thirds of the entire loan portfolio are of this magnitude. The Board of Directors reviews in detail, those loans in excess of \$100,000, and loans above \$250,000 are submitted to Cabinet for approval.

Occasionally, although not often, the Board hires a consultant to participate in a very special project. In one instance, the Corporations were studying ways in which the publishing firm of Clarke Irwin might be restructured. Because of his legal and publishing experience, Richard Rohmer was hired by the Corporations as consultant and legal counsel. This situation is rare, however, and the Corporations' budget for outside consultation is small.

Currently, the Corporations' financial statements show a couple of hundred million dollars in loans that are owed. The Corporations know that the full amount will not be realized. An estimate is made at each year-end as to how many dollars are going to be collected. "Doubtful" loans are shown as the amount that is advanced to the Corporations by the Treasurer, but which may not be returned to the Consolidated Revenue Fund. In March of 1982, the figure amounted to some \$18.4 million. The allowance for doubtful loans is expected to increase, due to economic conditions. Currently, the Corporations are collecting roughly 85 cents on every dollar that is loaned out, with something like 50 doubtful loans a year in a portfolio of about



3,000. About 25% of the portfolio currently involves loans in arrears of payment. This is most likely due to high interest rates. There is no longer a forgivable performance loan program in Ontario. There is still, in some cases, an amount of money outstanding against the completion of the terms of these loans; however, since 1978, the forgivable loan program has been replaced by the Ontario Business Incentive Program, which is also a loan program with specific terms.

The Corporations insist on credit insurance for their loans, but are not in a position, themselves, to check the credit worthiness of the customers of the people loaned the money. It is the client's responsibility to obtain credit insurance from either the federal Export Development Corporation, or a private source such as American Credit Indemnity Co. A credit guarantee is an absolute prerequisite for obtaining loan assistance from the Corporations.

#### RECOMMENDATION:

10. The Committee is concerned about the accountability of Crown corporations generally, and believes that such corporations should be reviewed on a regular basis. Management Board has advised the Committee that it is conducting a survey of other provinces, as part of a larger study, to ascertain the optimum methods for reviewing Crown agencies. The Public Accounts Committee will review the results of Management Board's findings as they become available.

In view of the importance of the Memorandum of Understanding as a mechanism for Crown corporation accountability, the Committee recommends that all such Memoranda be reviewed regularly, in order to reflect current operating relationships among Crown corporations, their parent ministries, the Government and the Legislature.

Ministry of RevenueSpecial Report on EDP Activities

In its Annual Report for 1981 the Public Accounts Committee recommended that the Provincial Auditor conduct four surveys of EDP activities, one each for two large ministries, and one each for two small ministries. The Ministry of Revenue EDP report is one of two for large ministry EDP operations.

The Auditor's goals in examining EDP at the Ministry of Revenue were to assess the nature and extent of planning for EDP, to assess the adequacy of management controls for project development and security, to evaluate controls over the use and provision of EDP resources, and to evaluate EDP auditing by the Ministry.

The Auditor commented upon seventeen specific points. These seventeen points may be generalized into three broad categories: planning, management control, and cost control. For each of these broad categories the Auditor had both positive and critical remarks to make. Taken together, the Auditor's comments address issues of internal control and effectiveness.

On the subject of planning, the Auditor acknowledged that the Ministry has conducted a wide range of studies for both the long and short terms. But, the Auditor concluded that there were deficiencies in the Ministry's documentation of its planning activities.

The bulk of the Auditor's comments concerned various aspects of management control. The Auditor commended the Ministry's efforts in developing system standards and its conscientiousness about physical security concerns for its systems. The Auditor concluded that certain aspects of back-up and disaster preparedness had been well provided for by the Ministry. But, according to the Auditor, a Ministry-wide contingency plan was lacking. In a similar vein, the Auditor concluded that system change procedures were reasonable, but that authorizations were not always obtained and that documentation of changes was not always up to date.

The Auditor had critical comments to make about post implementation reviews, data security, inventory control, the Ministry's software inventory, data base management, the use of contract personnel, administrative controls, and organizational controls over EDP. In a number of instances, the Auditor indicated that policies concerning these EDP matters contained in the Ontario Manual of Administration may be out of date. In those instances, the Auditor suggested, clarification or amendment of Manual guidelines might be the most appropriate action to take.

On the subject of cost control, the Auditor identified some deficiencies in procedures. But the Auditor noted, again, that some of the concerns identified in the report arise from policies which may be out of date. The Auditor recommended that the Ministry take up at least one matter with Management Board. In the case of internal auditing, the Auditor noted that Ministry staff have high standards. The Auditor suggested that the audit staff might give greater attention to Ministry-wide EDP auditing.

The Deputy Minister of Revenue requested to, and did, appear before the Committee, to express his concerns about the Auditor's EDP report. He took issue with a number of the report's general and specific conclusions, and differed with the Auditor on the manner in which the effectiveness of the Ministry's EDP facilities and delivery of programs was evaluated.

The Deputy Minister noted that the Provincial Auditor's report emphasized the importance of centralized controls, having layers of documentation, and ensuring the existence of audit trails. While acknowledging the importance of these considerations, the Deputy Minister indicated that the Ministry puts greater emphasis on flexibility to meet varying demands, and on producing services in a timely manner. The Deputy Minister also stated that the Auditor's comments were appropriate for an organization with a stable and limited range of EDP operations; however, he noted that the demands on the Ministry are neither stable nor limited. The Ministry is engaged in a very wide range of EDP operations which change frequently. The Deputy Minister said that some characteristics of the Auditor's approach to EDP management and control were neither compatible with the Ministry's operations, nor suitable to the environment in which it functions.

The Deputy Minister took specific exception to the Auditor's comments about deficiencies in long and short range EDP planning at the Ministry. The Deputy Minister cited a number of Ministry studies and noted that these were well known and understood among officials.

The Deputy Minister made a number of suggestions to reconcile the views of the Auditor and the points raised in his discussion. Among these, he suggested that consideration should be given to whether the Ministry had adopted the best practices for its circumstances and that in an assessment, equal emphasis should be given to the operating environment. He also suggested that it might be appropriate to examine whether value for money was received in the delivery of the Ministry's services.

The Provincial Auditor responded that, in accordance with the wishes of the Ministry, he would involve the Deputy Minister in matters associated with EDP audit activity, and would arrange contacts with Ministry officials, during audits, through the Ministry's internal auditor.



Ministry of Government Services - Review  
by the Provincial Auditor

At the request of the Minister of Government Services, the Provincial Auditor reviewed, in November of 1983, the following four Ministry operations. Two of these issues raise questions concerning Ministerial accountability and compliance with Management Board and the Ontario Manual of Administration.

Consulting Contracts with Allan W. Foster and Associates

In June 1983, the Deputy Minister approved a proposal submitted by Allan W. Foster and Associates Ltd. on the initial phase of developing and implementing a manpower planning, succession planning and manpower development system for the Ministry. The cost of the contract was not to exceed \$15,000. (The Ontario Manual of Administration does not require tendering for management consulting contracts under \$15,000.)

The Ministry proceeded to re-engage the firm on eight successive phases of the project, covered by ten purchase orders, between August 31, 1982 and March 10, 1983. Each of these re-engagements was for an amount under \$15,000. The total payments to the consulting firm amounted to \$81,300. All contractual engagements were approved by officials of the Ministry on authority delegated by the Minister. Management Board approval is not required for a management consulting project with an estimated total cost of under \$100,000.

The Auditor suggested that the project was fragmented into several contracts under \$15,000 each and awarded to one consultant without tender or Management Board approval for exemption from tendering. Although the Ministry explained that this was done for purposes of control, the Auditor felt that the Ministry should have apprised Management Board of the need for unforeseen re-engagements, and requested approval for exemption from tendering.

The On-Line Telephone Data Base (Telepac) and the Summer 1983 Telephone Directory

From February to December 1982, the Ministry of Government Services submitted three separate reports to Management Board, dealing with the production of the Fall 1982 and Spring 1983 editions of the Ontario Government Telephone Directory,

and the development of a comprehensive Government telephone data base (Telepac). These reports proposed that the Government Telephone Directories list the names and telephone numbers of approximately 65,000 civil servants, and that production costs for the Fall 1982 and Spring 1983 Directories would be an estimated \$192,000 and \$161,000 respectively. The reports also indicted that the Ministry was developing an on-line telephone information data base (Telepac), at an estimated cost of \$300,000, which would contain the names and telephone numbers of about 65,000 civil servants. It was proposed that the costs of the Directories and the maintenance of the Telepac system be recovered through a charge-back on each telephone set.

The Auditor noted that, despite a deferral of decision by Management Board on the first request for project approval, and the withdrawal by the Ministry of the two subsequent submissions, the Ministry proceeded with development of the Telepac project. A 1983 Telephone Directory was produced containing approximately 16,000 names. Bids were obtained and the contract was awarded to the lowest bidder. The Fall 1982 Directory was never produced.

While experiencing some difficulty identifying project costs, the Auditor calculated the costs of Telepac and the 1983 Telephone Directory to be approximately \$617,000 and \$101,000 respectively. Finally, the Auditor noted that the Ministry did not prepare a feasibility study for Telepac, nor did it obtain specific Management Board approval for the project, both of which are required by the Ontario Manual of Administration.

#### Computerized Database for Legislation and Q.L. Systems Ltd.

In 1981, the Deputy Minister of Government Services entered into discussions with the Deputy Attorney General concerning the provision of computerized access to legislation through a data base enquiry system. The Ministry of Government Services obtained Management Board approval in January of 1982, to negotiate a data processing services contract with Q.L. Systems Ltd. at an estimated initial cost of \$125,000. This approval was for computer tapes containing the consolidated 1980 Revised Statutes of Ontario, with the right to acquire further services, in accordance with the contractual terms and conditions. For example, the contract also made provision for the conversion of the 1980 Revised Regulations of Ontario to machine readable text.

The Auditor pointed out that the computer tapes of the 1980 R.S.O.s serve to update the current R.S.O.s and facilitate production of subsequent editions. The tapes are not currently used for legislative inquiry purposes; however, the Ministry has provided access to the Q.L. data bases containing Ontario and other legislative information. A minimum user fee of \$90 per week per information package is charged for this enquiry service.

The Auditor noted that payments totalling \$177,200 were made to Q.L. Systems during the fiscal years 1981-82, 1982-83 and 1983, up to September. There was no contravention of the Manual of Administration and Management Board approved both the project itself and the contract.

#### College Park Consolidation of the Ministry of Municipal Affairs and Housing (MAH)

On April 26, 1983, Management Board approved a Ministry of Government Services recommendation to enter into a lease agreement with College Street Centre Limited, for the consolidation of the Ministry of Municipal Affairs and Housing. Lease payments over an 11 year, 5 month term would total about \$60 million, and leasehold improvements were approved at a maximum amount of \$1.6 million (or \$6 per square foot).

It later became apparent that the original leasehold improvement budget of \$1.6 million was insufficient. From May to July, 1983, the estimated project costs increased to \$3.7 million. This was approved by Management Board in August 1983, at which time, the Ministry of Municipal Affairs and Housing was authorized to expend up to \$1 million for free-standing interlocking system screens.

In September 1983, the Ministry of Government Services estimated that the leasehold improvements and associated costs would be completed at a cost of \$2.8 million. Approximately \$1 million had been authorized for payment as at October 5, 1983. The Auditor pointed out that these expenditures are exclusive of the approved \$1 million for system screens.

#### Deputy Minister's Response

The Deputy Minister of Government Services appeared before the Public Accounts Committee to address these issues reviewed by the Provincial Auditor.



With regard to the contracts with Foster and Associates, the Deputy Minister emphasized that there was no intention on the part of the Ministry to circumvent the rules of the Manual of Administration by fragmenting one project. Each contract was for a separate project with its own termination date and therefore, did not contravene the Manual.

The Deputy Minister stated that, for operational matters relating to the Ministry, he was responsible to the Minister, and that the Minister was aware of the contracts. In hindsight, the Deputy Minister agreed with the Provincial Auditor that the Ministry should have apprised Management Board of the need for additional contracts with Foster and Associates, and requested approval for exemption from tendering. Nonetheless, the Deputy Minister said that the contracts have been a valuable investment, when viewed in the context of achieving results.

The Deputy Minister agreed that, in the case of the Telepac data base, the Ministry failed to follow the Manual of Administration in respect of obtaining formal approval for the project. He stated, however, that this was due to a series of overriding events, and not deliberate subterfuge. It was explained that the Ministry's three submissions to Management Board were withdrawn for purposes of revision. Throughout this period, the Deputy Minister explained, it was evident that Management Board supported the data base in principle, and that most of the revision focused on the size of the Telephone Directory and the feasibility of employing a charge for services. The Ministry viewed the Telephone Directory and the Telepac project as one coordinated package, and throughout this period, the Ministry proceeded with the Telepac project within the context of the whole program. The Deputy Minister agreed that the Telepac project should have constituted a formal, separate submission for approval by Management Board.

The Deputy Minister emphasized repeatedly that he had followed the directions he had been given in this matter, and that the Minister was aware of the Telepac project. He did not, however, address questions of accountability that specifically related to the context of his relationship with the former Minister of Government Services. The Deputy Minister stated that any decision made, was done under delegation by appropriate authorities. In terms of accountability, the Deputy Minister stated that he is appointed by the Premier, and is responsible to the Lieutenant Governor, the Legislature and the Minister of Government



Services. In addition, the Deputy Minister stated that the rules of the Manual of Administration should be followed; however, there are always exceptions to these rules, in which case, interpretation and possible alteration are sometimes required.

Concerning contractual arrangements with Q.L. Systems Ltd., the Deputy Minister pointed out that a computerized data base for legislation has long been recognized as a priority, by Cabinet. He explained that Q.L. Systems was hired in accordance with a Cabinet directive, a review conducted by the Ministry of the Attorney General, and Management Board approval. The Deputy Minister also thought that the cost of the project was reasonable, since Q.L. Systems paid for the major investment costs of developing the software program itself. Therefore, the entire project has been a sound investment.

Finally, the Deputy Minister addressed the matter of the Ministry of Municipal Affairs and Housing (MAH) consolidation, from six locations to College Park. Because the move was accomplished in a matter of months and Ministry staff now occupy 15 percent less space than previously, the Deputy Minister pointed to the considerable Government savings involved.

In the sequence of financial matters, the Deputy Minister pointed out that the consolidation was the decision of Cabinet and Management Board. When Management Board first approved the lease, the estimated \$1.6 million was only a target estimate, not a budget. After MAH had reviewed its overall requirements, a meeting of the Ministers of Municipal Affairs and Housing, Government Services and Management Board resulted in the establishment of a \$3.1 million budget, with an additional \$600,000 to be funded by the Ministry of Government Services from its 1983-84 appropriations.

#### Role of Management Board

Due to the concerns of the Committee regarding compliance with the Ontario Manual of Administration and the accountability relationships among deputy ministers, ministers and Management Board, the Secretary of Management Board appeared before the Committee to discuss these matters.

The Secretary explained that Management Board has encouraged the development of "participative management" in Ontario, which promotes a high level of trust, communication, teamwork and a decentralized responsibility for review and control. Under this system, quality control and inspection are largely internalized, and staff guide their own actions. Thus, quality control, compliance and accountability have become integral aspects of the work process, not separate functions performed by separate groups. In this regard, Management Board establishes administrative policy in the Ontario Manual of Administration, to promote probity and prudence in the conduct of daily affairs.

Until 1979, the Management Board Secretariat had an Operational Review Branch that monitored ministry compliance with the Manual of Administration. Reports by this Branch were sent to deputy ministers. When this Branch was terminated, the Board provided extra staff to ministry internal audit branches for improving compliance and developing value-for-money auditing within the ministries. In summary, the Secretary explained, a high-level of compliance has been achieved, whereby deputy ministers and their staff are self-regulating. The internal audit staff report directly to the deputy ministers. The Secretary admitted that the system is not perfect -- it cannot detect every incident of non-compliance. In cases of non-compliance which are reported to Management Board, the Board reviews the situation with the appropriate deputy minister.

According to the Secretary, such discussions were held with the Deputy Minister of Government Services regarding the awarding of contracts to Foster and Associates. The Secretary noted, however, that Management Board first became aware of these contracts when the story emerged in the press. In such situations, Management Board has no enforcement or disciplinary authority, and it was stressed that the Board is accountable for the actions of ministers and deputy ministers only to the extent that the approval of the Board is sought and received prior to the action being taken.

Quoting from a Premier's letter on the subject of compliance with the Manual of Administration, the Secretary read that the Manual was "approved by Cabinet for application to all levels -- Ministers, Deputy Ministers, Heads of Schedule I Agencies

and all of their staffs and employees." It was expected that "everyone will adhere to the provisions of the Manual without exception." Furthermore, in January 1983, the Secretary pointed out, the responsibility of the deputy minister for compliance with Management Board policies was confirmed, for both the Manual of Administration and the Management Standards implementation.

The Secretary pointed out that should a deputy minister fail to follow Management Board policies, he could be called upon to report to the Public Accounts Committee. Currently, monitoring for non-compliance by Management Board entails scrutiny of the Provincial Auditor's annual reports, annual reports of the ministries, and the deputy ministers' annual reports to the Board. These submissions are increasingly subject to results analysis and value-for-money consideration by the Board.

There is, ultimately, no direct reporting relationship between deputy ministers and Management Board. Deputy ministers are directly accountable to their ministers. Ministers are accountable to the Legislature, the Premier and the Executive Council. Management Board, the Secretary reiterated, is responsible and accountable through the Executive Council to the Legislature and is only accountable for the actions of ministers and deputy ministers when its involvement is sought in certain circumstances.

#### COMMENT:

11. The Committee acknowledges that a system or chain of accountability and responsibility exists in Ontario, whereby a deputy minister is accountable to a minister who is, in turn, accountable to the Premier who possesses the ultimate responsibility for the hiring and firing of senior Government officials.

With regard to this system of accountability, the Committee is concerned about the enforcement of compliance with the Ontario Manual of Administration, and suggests that the matter should be reviewed by the Government.

### Ontario Hydro Review

The mandate of the Standing Committee on Public Accounts includes the power to investigate matters not included in the Annual Reports of the Provincial Auditor. In this regard, the Committee initiated, in the Fall of 1983, a review of certain activities relating to Ontario Hydro. At the Committee's request, the Provincial Auditor will conduct the investigation during the 1984 calendar year, in accordance with parameters established by the Committee.

Issues under investigation involve the finances of Ontario Hydro as they relate to:

- a) the financial situation of the Darlington nuclear generating construction project;
- b) the costs of the major tube replacement program at Pickering "A" nuclear generating station; and
- c) questions relating to Ontario Hydro's mothballing and write-off program in heavy water production and fossil fuel generation.

It is expected that the results of the review will be published in the Committee's Annual Report for 1984.



## COMMITTEE PROCEDURES & OPERATIONS



The Standing Committee on Public Accounts  
Meetings in Ottawa, February 28 to March 3, 1983

The Public Accounts Committee scheduled a series of meetings in Ottawa as part of its agenda of business for late February and early March, 1983. In Ottawa, Members of the Committee met with federal representatives of the House of Commons' Public Accounts Committee, the Auditor General and his staff, and the Comptroller General and his staff.

In addition to the Members of the Committee, the Provincial Auditor and the Director of Reporting and Standards in the Auditor's Office attended the Ottawa meetings. The Committee was also accompanied by its Clerk and Research Officer.

The Committee's initial meeting with federal Members was at a briefing dinner on Monday evening. Briefing sessions, such as the Monday evening dinner, are a regular feature of the federal Committee's operation and they are usually well-attended. The occasion is used to present research material to the federal Members and for the Members to discuss issues with the Auditor General's and Comptroller General's permanent parliamentary liaison staff. The federal Committee's Chairman, Mr. Bill Clarke, M.P. (Vancouver Quadra), identified a number of concerns with which the Committee would have to deal and federal Members pursued the matters in questioning of staff and the Auditor General and Comptroller General, who were both present for the occasion.

One or two points of federal Committee procedure might appropriately be mentioned here. Library of Parliament research officers present background material to the federal Members. The background information may include material derived from meetings and discussions among the research officers, the Committee's clerk, and the witnesses who will appear before the Committee. Witnesses and the Auditor General prepare written opening statements. These statements are used by both parties to outline their positions and concerns. For the Committee's public meetings and for the briefing session, it is assumed that Members have read the written statements and they are not repeated, although they are entered on the record.

The federal Committee was dealing with an issue involving a Crown corporation. In addition to substantive matters, the issue raised a number of general concerns about the accountability of Crown corporations, parliamentary access to information about the operations of Crown corporations, and the responsiveness of Crown corporation officials to questioning by Members of Parliament. The Auditor General, Kenneth Dye, noted that much has been said about the accountability of Crown corporations since the time of the Lambert Commission, but that little has been done. It was the Auditor General's concern to promote measures which would increase the accountability of Crown corporations.

On Tuesday morning, March 1st, Ontario Members attended the federal Committee's public meeting. The meeting began precisely at 11 a.m., with all of the Committee's ten Members present. The meeting started with short statements from the Auditor General and from the witnesses. Federal Members then began their questioning and the session lasted until approximately 12:30 p.m. All of the Members on the Committee participated vigorously. The Auditor General also participated in the questioning, making it a point not only to clarify matters under discussion, but also to challenge statements made by the witnesses.

It may be appropriate to mention the structure of the federal Committee. It consists of ten Members, six of whom represent the government, three of whom represent the Official Opposition, and one of whom represents the Loyal Opposition. Each of the ten Members has an alternate, who participates in the absence of the regular representative on the Committee. According to federal Members, the designated alternate system ensures continuity and interest in Committee business among all the representatives serving on the Public Accounts Committee.

The federal Committee has a Steering Sub-Committee composed of the Chairman, Vice-Chairman, and one Member from each party. The Committee's research officers and clerk also serve on the Sub-Committee. The Steering Committee is entitled to do everything that the Committee is, except to report to the House. In practice, the Sub-Committee sets the Committee's agenda, identifies appropriate witnesses, and drafts reports for the Committee's approval. The Sub-Committee meets more frequently than the Committee and, according to federal Members, the Committee could not function without the Sub-Committee.



On Wednesday morning, March 2nd, Ontario Members met with the Auditor General and his staff. There were wide-ranging discussions between the Auditor General and the Ontario Members, and staff of the Auditor General presented materials on a number of specific topics. There were discussions about the current state of the art in comprehensive auditing, the Auditor General's review of Crown corporations, computers in the federal government, and the new format of the federal Estimates.

The new format of the federal Estimates attracted considerable comment. Documents that are now produced include detailed departmental expenditure plans. These documents present a number of issues for the Auditor General and his staff. They are particularly concerned about the integrity of the documents and the underlying systems which produce the documents. There are also questions to be answered, according to the Auditor General and his staff, about how frequently they and Members of Parliament should review the documents and about what criteria should be used in a review.

The Auditor General and his staff are also addressing issues concerning computers and electronic data processing. They share many of the concerns that have been dealt with by the Ontario Public Accounts Committee, including matters related to the establishment of systems to plan and control the use of computers.

On Wednesday afternoon, Ontario Members met with the Comptroller General and his staff. Discussions focused on the federal government's attempts to strengthen its management systems and to anticipate and deal with the kinds of issues which might attract the attention of the Auditor General.

There is no Ontario official whose office or function corresponds to the Comptroller General. The Comptroller General's office is part of Treasury Board and the Comptroller General reports to the President of Treasury Board. But the Comptroller General who is, in effect, the federal government's chief internal auditor and accountant, has a degree of independence to develop and encourage the implementation of management systems. It was the Comptroller General's office which was at least partially responsible for the new format of the Estimates.

The Comptroller General and his staff noted that their experience had taught them that change in the management of the federal government is achieved by consensus and that it proceeds at a pace equal to the willingness of officials to accept change. They noted, too, that systems which work in one department will not necessarily work in another and that change is accepted most readily if the persons adopting the new procedures are the ones who developed them. The Comptroller General summed up his task by saying that it was his office's goal to ensure that systems are in place to supply appropriate information for the federal government to make sound management decisions.

On Thursday morning, March third, Ontario Members attended the federal Committee's second weekly meeting. Members listened to the conclusion of Tuesday's discussion before the federal Committee. It was evident before and after the Thursday morning meeting that the federal Committee's activities attract a great deal of media attention. This publicity seems to serve several purposes, including drawing attention to the efforts of federal Members to hold the government and its agencies accountable for their financial dealings and use of public resources.

The Standing Committee on Public Accounts  
Meetings in Washington, D.C.,  
October 2-6, 1983

The Public Accounts Committee scheduled a trip to Washington, D.C. as part of its agenda of business for the fall of 1983. While in Washington, Members of the Committee met with the Deputy Chief of Mission and other staff at the Canadian Embassy, staff of the General Accounting Office and Congressman Glenn English, Chairman, Sub-Committee on Government Information, Justice and Agriculture (House Committee on Government Operations).

In addition to the Committee Members, the Provincial Auditor and the Director of Reporting and Standards in the Auditor's Office attended the Washington meetings. The Committee was also accompanied by its Clerk and Research Officer.

The agenda of business began on October 3rd, with a briefing session at the Canadian Embassy. The Ontario delegation was met by the Deputy Chief of Mission, Mr. Jacques Roy. Mr. Roy, together with two Embassy staff members whose areas of expertise encompass trade, commerce and energy issues, conducted a discussion of Canada - U.S. relations. Three major general points were stressed by the Embassy representatives:

1. Canada - U.S. relations have improved substantially since the nomination of George Schultz as U.S. Secretary of State. Schultz has been meeting regularly with the Hon. Allen MacEachen, Secretary of State for External Affairs and Deputy Prime Minister of Canada;
2. with a shift in power from the Executive Branch to Congress, Canada is now dealing less with the administration and more with Congress and individual Members. There is, therefore, increased opportunity for lobbying for Canadian interests; and
3. Canada and the U.S. have faced bilateral trade friction in the last decade, which has caused substantial investment problems. Such problems may be somewhat alleviated in the future by the institution of more sectoral free trade arrangements between the two countries.



### The General Accounting Office (GAO)

The afternoon of October 3rd was spent at the General Accounting Office. For the first half of the afternoon, the Ontario delegation was addressed by Ms. Elaine Orr, Director, Office of Foreign Visitors and International Audit Organization Liaison. Ms. Orr presented an overview of the role of the General Accounting Office (GAO). Following this, presentations were made by Mr. Harry Havens, Assistant Comptroller General, and Mr. Roy Jenny, Senior Group Director, Program Analysis Division.

The GAO falls under the aegis of the Comptroller General and the Deputy Comptroller General of the United States, both of whom are appointed by the President with the advice and consent of the Senate, for terms of 15 years. The current Comptroller General, Charles A. Bowsher, was appointed 2 years ago. He is a Democrat, but acts in a non-partisan capacity. The Office itself is an independent, non-partisan agency which was established in 1921 to assist Congress by providing information for its legislative and oversight activities. To this end, the GAO audits and evaluates federal programmes, functions and financial operations, and provides legal opinions and commentary on proposed legislation. The GAO conducts audits in the areas of: finance (financial statements) and compliance (with laws and regulations); economy and efficiency; and program results.

The GAO employs over 5,000 people in its central Washington office, 15 regional offices throughout the country and foreign branch offices. The organization's fiscal year 1982 budget was \$236 million. During 1982, the GAO issued some 949 reports and testified before Congressional committees on 177 occasions. Forty percent of its work is initiated by Congress (including about 10 percent raised through the statutes) and 60 percent is self-initiated. Most requests for work from Congress are transmitted through committee chairmen, via the Office of Congressional Relations. A substantial percentage of the GAO's work entails evaluating Congressional information needs, which is done by establishing "priority lines of effort" through a "strategic planning process" that identifies about 36 broad issue areas.



On the average, 20 or 30 of the GAO's reports are treated as classified. The GAO may refuse requests for work that are too broad in scope, but it prefers to negotiate project parameters, rather than to refuse work. For some of the work, the GAO hires outside consultants in various areas of expertise.

In its investigative and reporting capacity, the GAO may approach the Courts directly, rather than negotiating with the Justice Department, in order to obtain records. This saves a good deal of time. In addition, the Office is aided by extensive media coverage, which often lends the Office more leverage and public support in its missions.

During the past 20 years, the GAO has moved further away from financial audits to program audits, similar to evaluations. It is the intention of the GAO to conduct more comprehensive auditing in addition to individual program results monitoring. Because, according to Mr. Havens, the U.S. budget system has become overly cumbersome and complicated, the GAO is also studying ways in which the budget process might be improved. Currently, about 35 staff members are assigned to this study. In the U.S., daily, monthly and annual expenditure accounts for agencies are published; however, there are no consolidated financial statements that are audited, as in Canada. Mr. Havens felt that the public does not understand federal government finances in general, and that consolidated financial statements are badly needed.

In the area of federal government accountability, the GAO stressed that there is an increasing need for more efficient and effective financial management within the government and for more stringent measures of accountability. Adequate disclosure is an important element in accountability, but there is need for further action and definition. Of course, if some criminal action is discovered, then a certain form of punishment is in order. But the lines defining economy, efficiency and effectiveness are not clear, and more mechanisms are required that will help to reduce the potential for inefficient, wasteful or indiscrete behaviour in government agencies. There must be additional mechanisms for monitoring programs both in terms of financial needs and real output in order to determine cost efficiency. In addition, the GAO is investigating methods by which to improve accounting practices throughout the government. It is expected that the Federal Managers' Financial

Integrity Act of 1982 may help to conform government agency accounting systems and mechanisms for internal control with GAO principles and standards. In conjunction with this, the GAO is working to identify improvements needed in the federal government's central accounting system at the Treasury Department.

The foregoing topics were included in the general overview discussion concerning the role of the GAO. The following day, October 4th, was also spent at the GAO, during which time, the following subjects were addressed.

#### Program Results Reviews

Part of the GAO's work focuses on program evaluation or reviews of program results. This is done to determine how government programs operate and whether they are effective (i.e., accomplishing their purposes).

Program results audits are designed to determine a) whether the desired results or benefits established by the legislature or other authorizing body are being achieved and b) whether the agency has considered alternatives that might yield desired results at a lower cost. (The other two major forms of audits are financial and compliance, and economy and efficiency models).

There are essentially seven elements to a program results audit. It is the auditor's task to:

- assess the adequacy of management's system for measuring effectiveness;
- determine the extent to which a program achieves a desired level of program results; and
- identify factors inhibiting satisfactory performance.

In order to accomplish this, the following seven steps are generally followed:

1. Objectives
  - state the objectives of the program and the goals of the audit. This is a vital step. The objectives should be specific and measurable.

- |                                |   |   |
|--------------------------------|---|---|
| 2. Criteria                    | - | establish measurement criteria. Among other things, study the authority establishing the program and the mandate. |
| 3. Procedures                  | - | establish the methods for accumulating the data necessary to measure the achievement of program results.          |
| 4. Condition (Program Results) | - | the practical or technical part of the study. Are certain procedures being followed?                              |
| 5. Condition (Status)          | - | either satisfactory or unsatisfactory, depending on whether the program is meeting the objectives.                |
| 6. Cause                       | - | why is the program unsatisfactory?  |
| 7. Effect                      | - | the effectiveness of the program, and a measurement of the consequences resulting from not meeting the objective. |

A final report, along with recommendations is presented to Congress.

### Merit Pay Issues

The allotment of time for this subject was, unfortunately, extremely short and the presentation was rushed and somewhat fragmented. The subject is complex and the presentation raised many questions and issues that were not clarified. The major point is that many changes in civil service personnel reform were brought about by the Civil Service Reform Act of 1978. It effected changes in performance appraisal systems, pay and benefits (and other cost-cutting procedures) and the training and reassignment of senior executives. The GAO is in favour of career rotation, but within reason. Currently, senior executives can be reassigned within 15 days. This is viewed as extreme.

The Civil Service Reform Act requires performance appraisals to serve as the basis for promotions, training awards, reassignment, grade reduction, removal and in some cases, pay. Under the Act, the GAO is required to "spot-check" agencies' appraisal systems and report its findings to the Office of Personnel Management and Congress.

The merit pay and performance appraisal system, which was begun under President Carter, took three years to develop and was instituted in 1981.



The purpose of the merit pay system is to:

- recognize and reward quality performance by varying merit pay adjustments;
- use performance appraisals as the basis for determining merit pay adjustments;
- provide for training to improve objectivity and fairness in the evaluation of performance; and
- regulate the costs of merit pay by establishing appropriate control techniques.

Under the plan, supervisors recommend merit pay for those employees who receive satisfactory, excellent or outstanding performance ratings. The actual pay raises vary - the higher the rating, the higher the pay. The sum of merit pay increases equals the amount of money that would have been spent for step increases and comparability pay adjustments under the previous General Schedule system.

The actual definition and operation of merit pay practices depends partially on how the agencies exercise their increased authority and how the Office of Personnel Management (OPM) fulfills its mandate to ensure compliance with merit principles. Often, it is not enough to rely on the language of the statute for guidance, as it is sometimes too general to provide all the answers relating to certain questions or situations.

The performance-based pay system is a departure from the General Schedule, which based its salary increases on the length of time within a grade. This system also allowed managers to make pay increase decisions that were based on an employee's performance. It provided for yearly comparability increases (cost-of-living increases), within-grade increases and quality step increases in addition to an employee's base salary.

The new system applies to supervisors and managers in the GS 13, 14 and 15 levels of the General Schedule pay system. It may be extended to other levels and non-managers in the future. The Office of Personnel Management is responsible for establishing a merit system which provides for a range of basic pay for each grade to which the system applies.



Performance appraisal ratings determine merit payouts and are based on performance standards set well in advance of payment time. At the beginning of each fiscal year, staff members meet with their supervisor to establish the standards for the year. They include such factors as cost-efficiency, timeliness of work, indicators of effectiveness, productivity and quality of performance, etc. Merit pay employees compete for pay increases from funds in fixed pools of money. These pools are comprised of half of the comparability increase and all of the within-grade and quality-step increases that would have been granted by the agency under the old system. By law, a minimum of 50 percent of the comparability increase must be granted to merit pay employees. At the end of the year, ratings are reviewed and the staff are paid.

The Office of Personnel Management (OPM) approves each agency merit pay plan; however, agencies may devise plans to suit their individual needs. Each agency must explain its procedures for determining merit pay awards based on individual and organizational performance. It must also explain procedures for cash award programs - an additional employee incentive to reward outstanding performance. Each plan must include training for those who will make merit pay decisions and a method for informing merit pay recipients of how the system will work.

The system is designed to equalize the salaries of employees in the same grade with similar performance levels. For now, however, it is possible for an employee rated outstanding to advance quickly up the grade range. Some agencies do, however, institute a performance salary ceiling.

The entire system has come under heavy criticism. Supervisors are inconsistent in their rating methods, using widely divergent formulae. Each agency sets different maximum limits and competition for the pool leads to less team-work within an agency, conflict of interest problems, favouritism and low morale. The basic question is whether this form of merit system really motivates people to do their jobs more effectively. Despite criticism of the process, grievances are rare, because people are afraid of losing their jobs or alienating their managers.

Some agencies feel that the sizes of the merit increases do not accurately reflect the performance ratings. This occurs where, for lack of planning, it is too easy to receive an outstanding rating based on written standards.

During the fall of 1981 when the merit pay system was about to be implemented, the GAO registered several concerns about the readiness of the OPM and the various government agencies involved, to make sound merit pay decisions. Some of their concerns were:

- there was not enough pretesting and evaluating of the system;
- implementation problems could affect the plan's credibility;
- the OPM had not assumed enough leadership to ensure quality programs. Its guidelines were neither timely nor strict enough;
- problems existed in the actual performance appraisal systems - not enough pretesting, inconsistent standards, inadequate appraisal time periods; and
- the merit pay formula was too costly, exceeding the costs of the former General Schedule pay system.

A full analysis of the merit pay system was published by the GAO in a report entitled "Serious Problems Need to be Corrected Before Federal Merit Pay Goes Into Effect," September 11, 1981.

### ADP Auditing

For all government auditing, the GAO is guided by three fundamental kinds of standards. These also apply to the auditing of computer-based systems, and are listed below:

1. General Standards - Auditors must exhibit professional proficiency, independence and due professional care.
2. Examination and Evaluation Standards - work is to be adequately planned, staff assistants are to be properly supervised, reviews are to be made of compliance with applicable laws and regulations, and internal control systems are to be evaluated.
3. Reporting Standards - written audit reports are to be prepared, giving the results of the audit. Reports should be made available to organization officials and the public, unless restricted. They must be timely, factual, objective and constructive.

With regard to auditing computer-based systems, the auditors, in addition to adhering to the foregoing standards, review the general and application controls relating to the particular system to be audited.

- |                             |   |   |
|-----------------------------|---|---|
| <u>General Controls</u>     | - | pertain to the secure and adequate control of the system and the data processed. Controls include organizational responsibilities and duties of staff, physical facilities, personnel and security mechanisms, and the capabilities of the operating systems (software) and hardware controls for detecting errors in the system. These general controls are normally applicable to most data processing systems. |
| <u>Application Controls</u> | - | are more variable and are therefore reviewed on an individual application basis. Assessment of these controls involves a) testing for conformance with standards and approved design specifications and b) testing for internal control weaknesses and reliability of data. This is done through the gathering of various forms of evidence which are recorded in the auditor's working papers.                   |

The GAO audits computer-based systems in light of various criteria:

- the level of Congressional interest;
- the size, cost and complexity of the system and the projected audit;
- the degree of essentiality (i.e. risk assessment - what would happen if no audit was performed?);
- recent and expected changes; and
- the organization's audit history.

There are currently 145 staff members in the GAO's central ADP group, with an equivalent number in the regional offices. During the past year, the Office completed 40 government-wide ADP reviews, 47 ADP management reviews at 21 agencies and 146 ADP system reviews.

A portion of the GAO's ADP audits are conducted at the request of managers and entail a review of system design and development. These are conducted to provide "reasonable assurance" that the objectives, policies and controls are being adequately handled by the system and that the system is conforming with legal requirements and operating with maximum efficiency and economy.



### Government Corporations

The General Accounting Office has statutory authority to investigate all matters relating to the receipt, disbursement, and application of public funds. The GAO's audit authority extends to wholly-and partially-owned government corporations and certain nonappropriated fund activities.

The primary reason for establishing government corporations should be to provide specified, potentially self-sustaining, revenue-producing services or goods or credit to the public. Special legal and financial powers of corporations are deemed necessary for their business-type operations. In recent years, however, an increasing number of corporations have been established which do not raise revenue by business-type operations. These have usually been established in order to operate with the same degree of flexibility as do other corporations generally, and have often gained statutory freedom from Executive budgetary, policy and personnel controls. Government corporations may also be exempted from certain federal regulations such as civil service pay scales and hiring rules, position ceilings and statutes governing procurement practices. The GAO believes that there are inadequate legislative controls for ensuring the accountability of government corporations.

In 1945, Congress adopted the Government Corporation Control Act to establish a framework for the accountability of government corporations. In 1982, the Act's provisions were codified in 31 U.S.C. 9101-9109, Public Law 97-258, and the 1945 Act was repealed. These sections of codified law constitute basic corporate control laws. About half of the government corporations, however, (about 23 out of 47) are not covered by the accountability provisions, and as a result, accountability controls - including financial audit, budget reporting and review, and Treasury financial controls - are not uniformly applied. Coverage is, therefore, inconsistent. In addition, the financial statements of some corporations never surface in the budget and there is currently no sunseting legislation by which to measure the effectiveness of a corporation. Problems are also created by inconsistent definitions and classifications. A uniform definition of a government corporation has never been established. Title 31 U.S.C. 9101 identifies two types of government corporations - wholly-owned and mixed ownership; however, rather than



providing standard definitions or criteria, the law simply enumerates the corporations included in each group. Similarly, Section 103 of Title 5 of the U.S. Code defines "Government corporation" as a corporation owned or controlled by the U.S. government. But it defines a "Government controlled corporation" as not including a corporation owned by the U.S. Government. It never does actually define the terms "controlled and owned".

The GAO believes that, while a broad range of federal accountability controls is needed for these corporations, standard definition and classification criteria are essential if the controls are to be developed and applied consistently and effectively. This should be done by Congress revising the basic corporate control laws (31 U.S.C. 9101 - 9109). Standards should include financial audit, program audit and oversight, on-budget reporting and budget review by Congress and Treasury financial controls.

The laws currently provide some audit and financial management requirements, for the two kinds of corporations. However, certain requirements, including the GAO's audit authority, only apply to mixed-ownership corporations when government capital is invested. In addition, only wholly-owned corporations are required to submit an annual "business-type budget" for the President's review.

The GAO audits the financial statements of all wholly-owned corporations and some mixed-ownership corporations at least once every three years. There are no subsidiaries. The GAO believes that profit-making corporations should be audited annually by certified public accountants (CPAs). The Office is required to prepare audit reports that state the scope of the audit and include the audited financial statements and recommendations for improvement.

The GAO conducts audits of corporations' financial statements in accordance with the standards issued by the Comptroller General in "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" (the "Yellow Book").

Until three years ago, there was virtually no uniform methodology for auditing corporations. There was also little financial statement auditing; auditors concentrated mostly on program analysis. Three years ago a centralized audit group was formed within the GAO for government corporations.

The triennial auditing by the GAO of government corporations is determined by a methodological tool called Transaction Flow Auditing (T.F.A.), whereby risk analysis is used to ascertain the scope of the work involved. Through this process, a "general risk memo" is drawn up which looks at potential problem areas. These areas include: a)the policy and philosophy of management; b)internal controls and adequacy of accounting systems; c)comprehensiveness of financial statements; and d) evidence of fraud. The audit overview is divided into "cycles" by which risks are identified. This ultimately results in a transaction flow review which reports on the objectives for control within each cycle and whether the controls are effective and reliable for meeting the objectives. If they are not, audit tests are designed, to, among other things, provide assurance of compliance with the laws and regulations that affect the financial statements.

#### House Committee on Government Operations

On Wednesday, October 5, the Public Accounts Committee met with Congressman Glenn English, Chairman, Sub-Committee on Government Information, Justice and Agriculture (House Committee on Government Operations).

The General Accounting Office is held accountable by the House Government Operations Committee. This Committee plays an important role in the "legislative oversight" activities of standing committees, generally, and its mandate allows it to conduct widespread investigations. In fact, the Committee has become the principal investigative agency of the House in the field of government operations.

During the 98th Congress, the House Government Operations Committee consisted of 37 Members - 25 Democrats and 12 Republicans, with seven sub-committees. Each of these sub-committees is provided with extensive support and research staff,

and publishes numerous staff studies and reports. During the Ninety-third Congress, for example, the Government Operations Committee transmitted to the House 28 investigative reports, studied 550 bills and resolutions, and analyzed 291 audit reports of the General Accounting Office.

## DISSENTING OPINION

The undersigned Members of the Committee note with alarm the complete disregard for the Manual of Administration by Mr. Alan Gordon, former Deputy Minister of Government Services. It would appear that Mr. Gordon contravened the Manual of Administration on at least two occasions and perhaps more. It would appear that Mr. Gordon disobeyed the wishes of his Minister in the matter of contracts for Foster and Associates and in the Telepac matter. Further, the Committee is unable to determine whether his Minister was aware of the issuance of the aforementioned contracts.

There is apparently a complete absence of government mechanisms for ensuring Deputy Ministers enforce compliance with the Manual of Administration by their Ministries. The concept of ministerial responsibility seems to have been seriously diminished in the "Gordon-Wiseman Affair". Further, the Management Board of Cabinet does not carry out the functions of monitoring and enforcing compliance with the government's Manual guidelines. It seems completely dependent on an "honour system". This affair shows that in effect no one in government takes responsibility for monitoring the level of compliance with the recent directive from the Premier that Ministries adhere to the Manual.

The Members of the Public Accounts Committee endeavoured to have an investigation into the policies and practices involving the expenditure of public funds for government advertising.

The basis of the concern was two-fold.

1. Value-for-money was not being realized.
2. The level of expenditure has passed \$40 million in the last three years. At over \$5 per capita in Ontario, the amount being spent on a per capita basis is amongst the highest in Canada.

It is apparent that there is no genuine method of competition for the selection of advertising agencies. The agencies that receive the largest part of dollar expenditures are closely tied to the Progressive Conservative Party. The invitation to participate is nothing more than a sophisticated political shell game.



It is also unfortunately apparent that there are serious deficiencies in administrative financial contracts over advertising and related production costs.

A number of attempts to have this matter investigated have been thwarted by the Conservative majority on the Committee.

Jim Bradley, MPP  
 Eric Cunningham, MPP  
 Ed Philip, MPP  
 Eddie Sargent, MPP  
 Bud Wildman, MPP



## APPENDIX: MINUTES





OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

SECOND SESSION, THIRTY-SECOND PARLIAMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 22

THURSDAY, JANUARY 27, 1983

ORDER: The Chairman, Mr. Reid, called the meeting to order at 10:20 p.m.

ATTENDANCE: Members of the Committee: Messrs. Bradley, Cunningham, Havrot, Kolyn, Reid (Rainy River), Sargent

Substitution: Mr. Villeneuve for Mr. Kennedy

In attendance: Mr. Douglas Archer, Provincial Auditor

Dr. James O'Mara, Research Officer, Legislative Research Service

PROCEEDINGS: The Committee discussed the organization of its business.

It was agreed that the Committee would next meet on February 10, 1983, to set future agenda.

Mr. Cunningham moved that when the Committee reviews the Provincial Auditor's Report on Electronic Data Processing in the Ministry of Revenue, the Deputy Minister of Revenue be invited to respond to the Auditor's Report.

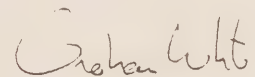
CARRIED.

EXHIBITS: The following documents were filed with the Committee:

Exhibit 51 Office of the Provincial Auditor, "Report to Standing Committee on Public Accounts concerning the Electronic Data Processing in the Ministry of Revenue", December, 1982

Exhibit 52 Letter, dated January 19, 1983, from Deputy Minister of Revenue to Chairman (re: Exhibit 51)

ADJOURNMENT: At 10:37 p.m., the Committee adjourned until 10:00 a.m., Thursday, February 10, 1983.



Graham White,  
Clerk of Committee.

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

SECOND SESSION, THIRTY-SECOND PARLIAMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 23

THURSDAY, FEBRUARY 17, 1983

ORDER:

The Chairman called the meeting to order at 10:15 a.m.

ATTENDANCE:

Members of the Committee: Messrs. Cunningham, Havrot, Kennedy, Kolyn, Reid, Mrs. Scrivener, Mr. Taylor

Substitution: Mr. Miller (Haldimand-Norfolk) for Mr. Bradley

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards  
Branch

Dr. James O'Mara, Research Officer, Legislative  
Research Service

PROCEEDINGS:

The Committee considered the organization of its business.

Mrs. Scrivener moved that the Committee meet during the first two weeks in March and that the Committee visit the House of Commons Public Accounts Committee during this time.

CARRIED

It was agreed that the Committee would consider the following matters during March:

- Provincial Auditor's Report on EDP in the Ministry of Revenue
- 2.19 "Continuing Systems and Other Deficiencies re Payment of Ontario Pensioners Property and Sales Tax Grants, Ministry of Revenue"
- 3.5 "Audit Observations, Office of the Ombudsman"
- 3.3 "Safeguards Needed re Loan Guarantees, The Development Corporations"
- 3.9 "Lack of Due Regard for Economy, Ontario Place Corporation"

It was further agreed that the balance of the Committee's March agenda would be decided by the Chairman and the Vice-Chairman.

EXHIBIT:

The following document was filed with the Committee:

Exhibit 53 Letter, dated February 17, 1983, to Chairman, from Provincial Auditor, with governmental responses to Provincial Auditor's Report for 1981-82

ADJOURNMENT:

At 10:49 a.m., the Committee adjourned to the call of the Chair.



Graham White,  
Clerk of Committee.

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

---

INTERVAL BETWEEN THE SECOND AND THIRD SESSION, THIRTY-SECOND PARLIAMENT  
STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 1

TUESDAY, MARCH 1, 1983

ROOM 253D, CENTRE BLOCK, OTTAWA, ONTARIO

ATTENDANCE:

Members of the Committee: Messrs. Havrot, Kennedy, Kolyn, Philip, Reid,  
Mrs. Scrivener, Messrs. Taylor, Yakabuski

Substitutions: Mr. Mackenzie for Mr. Wildman  
Mr. Breithaupt for Mr. Cunningham

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards  
Branch

Dr. James O'Mara, Research Officer, Legislative Research  
Service

PROCEEDINGS:

In accordance with the order of the House of February 23, 1983, the  
Committee attended the meeting of the Standing Public Accounts Committee  
of the House of Commons.

*Graham White*

Graham White,  
Clerk of Committee.

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

INTERVAL BETWEEN THE SECOND AND THIRD SESSIONS, THIRTY-SECOND PARLIAMENT  
STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 2

WEDNESDAY, MARCH 2, 1983

240 SPARKS STREET and 160 ELGIN STREET, OTTAWA, ONTARIO

ATTENDANCE:

Members of the Committee: Messrs. Havrot, Kennedy, Kolyn, Philip, Reid,  
Mrs. Scrivener, Messrs. Taylor, Yakabuski

Substitutions: Mr. Mackenzie for Mr. Wildman  
Mr. Breithaupt for Mr. Cunningham

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards Branch

Dr. James O'Mara, Research Officer, Legislative Research  
Service

WITNESSES:

Office of the Auditor General of Canada

Mr. Ken Dye, Auditor General  
Mr. Marcel Ferland, Deputy Auditor General  
Mr. Bill Radburn, Assistant Auditor General  
Mr. Don Baxter, Assistant Auditor General  
Mr. Fred Hostetter, Assistant Auditor General

Office of the Comptroller General of Canada

Mr. Harry Rogers, Comptroller General  
Mr. B. Bindman, Deputy Comptroller General  
Mr. J. Brophy, Deputy Comptroller General  
Mr. A. Macdonald, Assistant Comptroller General  
Mr. R. Salmon, Assistant Comptroller General

PROCEEDINGS:

In accordance with the order of the House of February 23, 1983, the  
Committee met with the witnesses from the Office of the Auditor General  
of Canada and from the Office of the Comptroller General of Canada.



Graham White,  
Clerk of Committee.



OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

---

INTERVAL BETWEEN THE SECOND AND THIRD SESSION, THIRTY-SECOND PARLIAMENT  
STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 3

THURSDAY, MARCH 3, 1983

ROOM 371, WEST BLOCK, OTTAWA, ONTARIO

ATTENDANCE:

Members of the Committee: Messrs. Havrot, Kennedy, Kolyn, Philip, Reid,  
Mrs. Scrivener, Messrs. Taylor, Yakabuski

Substitutions: Mr. Mackenzie for Mr. Wildman  
Mr. Breithaupt for Mr. Cunningham

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards Branch

Dr. James O'Mara, Research Officer, Legislative Research  
Service

PROCEEDINGS:

In accordance with the order of the House of February 23, 1983, the  
Committee attended the meeting of the Standing Public Accounts Committee  
of the House of Commons.



Graham White,  
Clerk of Committee.

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

INTERVAL BETWEEN THE SECOND AND THIRD SESSION, THIRTY-SECOND PARLIAMENT

MEETING NUMBER

TUESDAY, MARCH 8, 1983

ORDER:

The Chairman, Mr. Reid, called the meeting to order at 10:14 a.m.

ATTENDANCE:

Members of the Committee: Messrs. Bradley, Cunningham, Havrot, Kolyn, Mackenzie, Reid (Rainy River), Sargent, Mrs. Scrivener, Messrs. Taylor (Prince Edward-Lennox), Yakabuski

Substitutions: Mr. McLean for Mr. Villeneuve  
Mr. Cassidy for Mr. Philip

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor  
Mr. Ken Leishman, Director, Reporting and Standards Branch  
Mr. Gordon Machen, Director, Specialized Audits and Resources Branch

Dr. James O'Mara, Research Officer, Legislative Research Service

Witnesses: Ministry of Revenue

Mr. Terry Russell, Deputy Minister  
Mr. Larry Leonard, Assistant Deputy Minister

PROCEEDINGS:

The Committee considered the Report of the Provincial Auditor on Electronic Data Processing in the Ministry of Revenue.

The witness, Mr. Russell, made a presentation and was questioned by Members of the Committee.

The Committee recessed from 12:12 p.m. until 2:10 p.m.

The Provincial Auditor then made a presentation to the Committee and answered questions from Members of the Committee.

The Committee then considered section 2.19 of the Provincial Auditor's Report for 1981-82, "Continuing Systems and Other Deficiencies re Payment of Ontario Pensioners Property and Sales Grants, Ministry of Revenue"

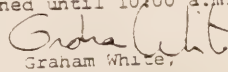
EXHIBITS:

The following exhibits were filed with the Committee:

- Exhibit 1 Provincial Auditor, "Report to the Standing Committee on Public Accounts Concerning Data Processing in the Ministry of Revenue December, 1982"
- Exhibit 2 Committee Research Officer, Briefing material on Provincial Auditor's Special Report on Electronic Data Processing in the Ministry of Revenue
- Exhibit 3 Committee Research Officer, Briefing material on section 2.19 of Provincial Auditor's Report for 1981-82, regarding the Ministry of Revenue
- Exhibit 4 Letter, dated March 2, 1983, to Chairman from Deputy Minister of Revenue, respecting Provincial Auditor's EDP Audit of Ministry, with attachments
- Exhibit 5 Letter, dated March 3, 1983 to Chairman from Deputy Minister of Revenue, with extract from 1978 speech by Secretary of the Management Board of Cabinet
- Exhibit 6 Memorandum to Committee from Clerk with correspondence to Chairman from Provincial Auditor and Deputy Minister of Revenue

ADJOURNMENT:

At 4:21 p.m., the Committee adjourned until 10:00 a.m., Wednesday, March 9, 1983.

  
Graham White,  
Clerk of Committee.

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

INTERVAL BETWEEN THE SECOND AND THIRD SESSIONS, THIRTY-SECOND PARLIAMENT  
MEETING NUMBER 5

WEDNESDAY, MARCH 9, 1983

ORDER:

The Chairman, Mr. Reid, called the meeting to order at 10:15 a.m.

ATTENDANCE:

Members of the Committee: Messrs. Bradley, Cunningham, Havrot, Mackenzie, Reid, Sargent, Mrs. Scrivener, Messrs. Taylor (Prince Edward-Lennox), Villeneuve, Yakabuski.

Substitutions: Mr. Cousens for Mr. Kolyn  
Mr. Cassidy for Mr. Philip

In attendance: Office of the Provincial Auditor

Mr. Jim Otterman, Deputy Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards Branch

Mr. Jim McCarter, Director, Resources Development Policy  
Field Branch

Dr. James O'Mara, Research Officer, Legislative Research  
Service

WITNESSES: Ontario Development Corporation

Mr. Andrew D. Croll, Executive Director and Chief Executive  
Officer

Mr. Walter Prendergast, Executive Assistant to Mr. Croll

Mr. Brian Cass, Director, Legal Services

Mr. Mitch Bros, Corporate Secretary and Legal Advisor

Ontario Place Corporation

Mr. Tom Gibson, General Manager

Ministry of Tourism and Recreation

Mr. John Lashinger, Assistant Deputy Minister

Mr. Cam McDonald, Executive Co-ordinator of Corporate Ad-  
vertising, Special Projects Group

Mr. Mike Shoreham, Executive Co-ordinator of Finance and  
Administration

PROCEEDINGS:

The Committee considered section 3.3 of the Provincial Auditor's Report for 1981-82, "Safeguards Needed re Loan Guarantees, The Development Corporations".

The witnesses, Messrs. Croll, Prendergast, Cass and Bros, made a presentation and answered questions from Members of the Committee.

The Committee recessed from 12:02 p.m., until 2:11 p.m.

The Committee then considered section 3.9 of the Provincial Auditor's Report for 1981-82, "Lack of Due Regard for Economy, Ontario Place Corporation".

The witnesses, Messrs. Lashinger, McDonald, Gibson and Shoreham, made statements and answered questions from Members of the Committee.

Mr. Sargent gave notice of the following motion:

In view of the expenditure of \$400,000 for contracts for the design and construction of "Future Pad" awarded to a sister company of Foster Advertising, the agency of record, without competitive bids, that this Committee censures the Assistant Deputy Minister of Tourism and Recreation.

... Cont'd

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

EXHIBITS:

The following exhibits were filed with the Committee:

- Exhibit 7 Letter, dated March 8, 1983, to Chairman from Deputy Minister of Revenue, with attachments, respecting Ontario Tax Grant Program
- Exhibit 8 Committee Research Officer, Briefing Material on section 3.3 of the Provincial Auditor's Report for 1981-82
- Exhibit 9 Letter, dated March 9, 1983, to Chairman from Deputy Minister of Revenue, with attached charts
- Exhibit 10 Committee Research Officer, Briefing Material on section 3.9 of the Provincial Auditor's Report for 1981-82

ADJOURNMENT:

At 3:35 p.m., the Committee adjourned until 10:00 a.m., Thursday, March 10, 1983.

*Graham White*

Graham White,  
Clerk of Committee.



OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

INTERVAL BETWEEN THE SECOND AND THIRD SESSIONS, THIRTY-SECOND PARLIAMENT

MEETING NUMBER 6

THURSDAY, MARCH 10, 1983

ORDER:

The Chairman, Mr. Reid, called the meeting to order at 10:12 a.m.

ATTENDANCE:

Members of the Committee: Messrs. Bradley, Cunningham, Havrot, Kolyn, Mackenzie, Reid, Sargent, Mrs. Scrivener, Messrs. Taylor (Prince Edward-Lennox), Villeneuve, Yakabuski

Substitutions: Mr. Cassidy for Mr. Philip  
Mr. Hennessy for Mr. Havrot  
(afternoon only)

In attendance: Office of the Provincial Auditor

Mr. Jim Otterman, Deputy Auditor  
Mr. Ken Leishman, Director, Reporting and Standards Bran  
Mr. Gordon Machen, Director, Specialized Audits and  
Resources Branch

Dr. James O'Mara, Research Officer, Legislative Research  
Service

Witnesses: Ministry of Government Services

Alan Gordon, Deputy Minister, Ministry of Government Service  
Greg O'Neil, Executive Director, Computer and Telecommunica-  
tions Services

Ministry of Attorney General

G. H. Carter, General Manager, Programmes and Administrative  
Division

Henry Gibbs, Director of Finance and Services  
David Thornton, Director of Information and Computer Service  
Ralph Maynard, Chief Accountant

PROCEEDINGS:

The Committee considered section 2.9 of the Provincial Auditor's Report for 1981-82, "Assessment of Internal Controls at Computer Data Centres, Ministry of Government Services".

The witnesses, Messrs. Gordon and O'Neil made statements and answered questions from Members of the Committee.

The Committee discussed Mr. Sargent's proposal motion of censure

The Committee recessed from 11:35 a.m. until 2:07 p.m.

The Committee then considered section 2.5 of the Provincial Auditor's Report for 1981-82, "Control and Administration Deficiencies re Electronic Data Processing, Ministry of the Attorney General" and section 2.6 "Deficiencies in Purchasing and Accounts Payable, Ministry of the Attorney General".

The witnesses, Messrs. Carter, Gibbs, Thornton and Maynard, made statements and answered questions from Members of the Committee.

Mr. Cunningham moved that the Committee defer consideration of any motion of censure against the Assistant Deputy Minister of Tourism and Recreation until the Committee meets again in April.

LOST.

... cont'd

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

cont'd

Mr. Bradley then moved that

In view of the expenditure of \$400,000 for contracts for the design and construction of "Future Pod" awarded to a sister company of Foster Advertising, the agency of record, without competitive bids, this Committee censures the Assistant Deputy Minister of Tourism and Recreation.

LOST.

Mr. Cunningham gave notice of the following motion:

In view of the expenditure of \$400,000 for contracts for the design and construction of "Future Pod" without benefit of tender or competitive bids, this Committee recommends disciplinary action for the individuals who have contravened the Manual of Administration.

The Chairman expressed doubts as to whether the motion was in order, as respecting a matter previously dealt with, but reserved his ruling.

It was agreed that the Committee would next meet on Thursday, April 28, 1983.

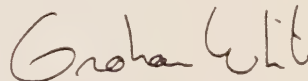
EXHIBITS:

The following exhibits were filed with the Committee:

- Exhibit 11 Committee Research Officer, Briefing material on section 2.9 of the Provincial Auditor's Report for 1981-82
- Exhibit 12 Committee Research Officer, Briefing material on section 2.6 of the Provincial Auditor's Report for 1981-82
- Exhibit 13 Committee Research Officer, Briefing material on section 2.5 of the Provincial Auditor's Report for 1981-82.
- Exhibit 14 Letter, dated February 12, 1982, from Executive Co-ordinator, Advertising and Promotion Services Group, Ministry of Industry and Tourism to Mr. Peter McAllister, Display Service Co. Ltd.
- Exhibit 15 Memorandum, dated March 29, 1982, to Secretary, BILD, from Acting Deputy Minister, Ministry of Tourism and Recreation
- Exhibit 16 Contract, dated March 18, 1982, between Ontario Place Corporation and Display Service Co. Ltd.

ADJOURNMENT:

At 3:40 p.m., the Committee adjourned until 10:00 a.m., Thursday, April 28, 1983.



Graham White,  
Clerk of Committee.

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS  
THIRD SESSION, THIRTY-SECOND PARLIAMENT  
MEETING NUMBER 7  
THURSDAY, APRIL 28, 1983

ORDER: The Chairman, Mr. Reid, called the meeting to order at 10:10 a.m.

ATTENDANCE: Members of the Committee: Messrs. Cunningham, Harris, Havrot, Philip, Reid, Sargent

Substitutions: Mr. McGuigan for Mr. Bradley  
Mr. Villeneuve for Mr. Kennedy

In attendance: Office of the Provincial Auditor  
Mr. Douglas Archer, Provincial Auditor  
Mr. Ken Leishman, Director, Reporting and Standards Branch  
Ms. E. J. Gardiner, Research Officer, Legislative Research Service

PROCEEDINGS: The Committee discussed the organization of its business.

It was agreed that at its next meeting the Committee would further consider section 3.9 of the Provincial Auditor's 1981-82 Report, respecting Ontario Place, but would not call any witnesses.

It was agreed that the clerk would circulate a memorandum to all Committee Members to determine interest in visiting the Ministry of Revenue office in Oshawa.

It was agreed that on Thursday, May 12, the Committee would consider section 3.5 (Office of the Ombudsman) and section 2.18 (Grants to Native People) of the Provincial Auditor's 1981-82 Report.

It was agreed that section 3.10 of the 1981-82 Provincial Auditor's Report (Ontario Waste Management Corporation) would be considered in the Committee's review of the accountability of crown corporations.

It was agreed that following its review of crown corporations the Committee would consider section 4.6 (Advances to Ontario Energy Corporation) and section 4.12 (Special Warrants) of the 1981-82 Provincial Auditor's Report.

Mr. Philip gave notice of the following motion, to be voted upon at the Committee's next meeting.

That this Committee set aside at least three meetings to consider the matter of government advertising, among other things, to find out exactly how much is being spent on government advertising and to find out why certain ministries have advertised non-existent programmes.

EXHIBITS: The following exhibits were filed with the Committee:

Exhibit 17 Ministry of Tourism and Recreation:  
1) Memorandum, dated March 19, 1982, from Acting Deputy Minister to General Manager of Ontario Place re: High Technology Exhibit  
2) Ontario Place Purchase Requisition M0063, dated March 19, 1982, to Whitby Welding

... Cont'd

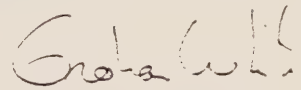
OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

EXHIBITS:  
(Cont'd)

- 3) Letter, dated March 16, 1982, from Whitby Welding to Mr. J. Faulkner, Ontario Place
- Exhibit 18 Memorandum, dated April 7, 1983, to Chairman from A. D. Croll, Executive Director, Ontario Development Corporation re: Bala Bay Inn
- Exhibit 19 Letter, dated February 24, 1983, to Chairman from Provincial Auditor re response of the Development Corporations to Provincial Auditor's 1981-82 Report
- Exhibit 20 Memorandum to Members of Committee from Clerk, with ministry or agency responses to Committee's 1982 Report

ADJOURNMENT:

On motion by Mr. Sargent, the Committee adjourned until 10:00 a.m., Thursday, May 5, 1983.



Graham White,  
Clerk of Committee.



OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

THIRD SESSION, THIRTY-SECOND PARLIAMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 8

THURSDAY, MAY 5, 1983

ORDER: The Chairman, Mr. Reid, called the meeting to order at 10:10 a.m.

ATTENDANCE: Members of the Committee: Messrs. Bradley, Cunningham, Harris, Havrot, Kennedy, Kolyn, Philip, Reid, Sargent, Wildman

Substitution: Mr. McQuarrie for Mr. Yakabuski

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor  
Mr. Ken Leishman, Director, Reporting  
and Standards Branch

Ms. E. J. Gardiner, Research Officer,  
Legislative Research Service

PROCEEDINGS: The Chairman ruled out of order Mr. Cunningham's motion of March 10, respecting disciplinary action arising from the construction of "Future Pod" at Ontario Place, as contravening Standing Order 39, since it is substantially the same as a motion disposed of by the Committee on March 10, 1982.

The Committee then considered Mr. Philip's motion,

That this Committee set aside at least three meetings to consider the matter of government advertising, among other things, to find out exactly how much is being spent on government advertising and to find out why certain ministries have advertised non-existent programmes.

After some time, the Chairman put the question, whereupon Mr. Kolyn requested a 20 minute wait pursuant to Standing Order 89(c), and the motion was LOST on the following division

AYES

Bradley  
Cunningham  
Philip

Sargent  
Wildman - 5

NAYS

Harris  
Havrot  
Kennedy

Kolyn  
MacQuarrie  
Scrivener - 6

Mr. Philip gave notice of the following motion, to be considered at the Committee's next meeting:

That this Committee requests the Provincial Auditor present to it an update of the information contained in Section 2.21 in his 1981-82 report, respecting Minaki Lodge, and that this Committee consider the matter of Minaki Lodge, with particular emphasis on its objectives, and a cost-benefit analysis of the funds spent on Minaki Lodge.

Mr. Kolyn gave notice of the following motion, to be considered at the Committee's next meeting:

... Cont'd

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

That this Committee accept the Deputy Minister of Revenue's offer and visit the Ministry of Revenue office in Oshawa during one of the regular Thursday morning meeting times in May or June of this year.

The Committee then considered section 3.9 of the Provincial Auditor's Report for 1981-82, respecting Ontario Place.

It was agreed that the Chairman would write the Deputy Minister of Tourism and Recreation and request a written response to the issues raised in the Committee Research Office's memorandum of May 4, 1983.

EXHIBITS:

The following exhibits were filed with the Committee:

Exhibit 21 Memorandum for Committee Research Officer to Chairman, dated May 4, 1983, respecting possible questions arising from committee review of section 3.9 of Provincial Auditor's 1981-82 Report

Exhibit 22 Letter, dated May 3, 1983, to Chairman from Provincial Auditor, re Auditor's report on EDP in the Ministry of Revenue

ADJOURNMENT:

At 11:22 a.m., the Committee adjourned until 10:00 a.m., Thursday, May 12, 1983.

*Graham White*

Graham White,  
Clerk of Committee.

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

THIRD SESSION, THIRTY-SECOND PARLIAMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 9

THURSDAY, MAY 12, 1983

ORDER:

The Chairman, Mr. Reid, called the meeting to order at 10:12 a.m.

ATTENDANCE:

Members of the Committee: Messrs. Bradley, Cunningham, Harris, Havrot, Kennedy, Kolyn, Philip, Reid, Sargent, Mrs. Scrivener, Yakabuski

Substitution: Mr. Samis for Mr. Wildman

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor  
Mr. Ken Leishman, Director, Reporting and Standards Branch

Mrs. Elizabeth Gardiner, Research Officer,  
Legislative Research Service

Witness: Mr. Frank McArdle, Executive Director, Office of the Ombudsman

PROCEEDINGS:

The Committee considered section 3.5 of the Provincial Auditor's Report for 1981-82: "Audit Observations: Office of the Ombudsman"

The witness, Mr. McArdle, made a statement and answered questions from Members of the Committee.

Mr. Philip moved

That this Committee request the Provincial Auditor to present to it an update of the information contained in Section 2.21 in his 1981-82 report, respecting Minaki Lodge, and that this Committee consider the matter of Minaki Lodge, with particular emphasis on its objectives, and a cost-benefit analysis of the funds spent on Minaki Lodge.

After some time, the motion was LOST on the following recorded division:

AYES

Bradley  
Cunningham  
Philip

Samis  
Sargent -5

NAYS

Harris  
Havrot  
Kennedy

Kolyn  
Scrivener  
Yakabuski - 6

Mr. Kolyn then moved

That this Committee accept the Deputy Minister of Revenue's offer and visit the Ministry of Revenue office in Oshawa during one of the regular Thursday morning meeting times in May or June of this year.

CARRIED.

... Cont'd.

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

---

PROCEEDINGS  
(Cont'd)

It was agreed that the Chairman would attempt to arrange the visit for June 23, 1983.

EXHIBIT:

The following document was filed with the Committee as an exhibit:

Exhibit 22 Committee Research Officer, Briefing material on section 3.5 of the Provincial Auditor's Report for 1981-82.

ADJOURNMENT:

At 11:37 p.m., the Committee adjourned until 10:00 a.m., Thursday, May 19, 1983.

Graham White

Graham White,  
Clerk of Committee.



OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

THIRD SESSION, THIRTY-SECOND PARLIAMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 10

THURSDAY, MAY 19, 1983

ORDER:

The Chairman, Mr. Reid, called the meeting to order at 10:15 a.m.

ATTENDANCE:

Members of the Committee: Messrs. Cunningham, Harris, Kolyn, Philip, Reid, Mrs. Scrivener, Messrs. Wildman, Yakabuski

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards Branch

Ms. Elizabeth Gardiner, Research Officer,  
Legislative Research Service

Witnesses: Provincial Secretariat for Resources Development

Mr. J. C. Thatcher, Deputy Provincial Secretary

Mrs. Judith Clapp, Executive Co-ordinator, Native Affairs

PROCEEDINGS:

Mr. Philip gave notice of the following motion:

That the Standing Committee on Public Accounts of Ontario immediately request the tabling by the Minister of Health of all contracts, memoranda of agreement, and other documents related to the contract between Extendicare Ltd. and the Queensway Hospital in Etobicoke; that it also request the tabling of similar documents related to the contract between American Medical International and the Hawkesbury General Hospital, and furthermore that it request the tabling of all cost benefit studies conducted prior to the signing of these contracts as well as reports of any consultations conducted with health and other community groups prior to making these decisions; and that the Committee, furthermore, schedule 2 days of sittings to deal with this matter.

The Chairman ruled the proposed motion out of order as being beyond the Committee's order of reference since it could not be related to any item of expenditure in the Provincial Auditor's Report or the Public Accounts.

Mr. Philip challenged the Chairman's ruling.

On putting the question, the AYES and NAYS being equal, the Chairman gave his casting vote and the challenge was LOST.

The Committee then considered section 2.18 of the Provincial Auditor's Report for 1981-82, "Weaknesses in Administration and Monitoring of Grants to Native People, Provincial Secretariat for Resources Development"

The witnesses, Mr. Thatcher and Mrs. Clapp, made statements and answered questions from Members of the Committee.

EXHIBITS:

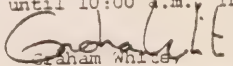
The following documents were filed with the Committee as exhibits:

Exhibit 24 Committee Research Officer, "Background to Federal-Provincial Relations and the Provision of Services and Programmes for Native People"

Exhibit 25 Committee Research Officer, Briefing material on section 2.18 of the Provincial Auditor's Report for 1981-82.

ADJOURNMENT:

At 11:20 a.m., the Committee adjourned until 10:00 a.m. Thursday, May 26, 1983.

  
Graham White,  
Clerk of Committee.

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

THIRD SESSION, THIRTY-SECOND PARLIAMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 11

THURSDAY, MAY 26, 1983

ORDER:

The Vice-Chairman, Mr. Kolyn, called the meeting to order at 10:15 a.m.

ATTENDANCE:

Members of the Committee: Messrs. Bradley, Cunningham, Harris, Kennedy, Kolyn, Philip, Sargent, Mrs. Scrivener, Messrs Wildman, Yakabuski

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards  
Branch

Ms. Elizabeth Gardiner, Research Officer, Legislative  
Research Service

PROCEEDINGS:

The Committee considered the organization of its review of the accountability of crown corporations.

It was agreed that the Committee would not meet Thursday, June 9, 1983

Mr. Philip gave notice of the following motion to be moved at the Committee's next meeting:

That this Committee set aside one day or two half days to enquire into the actions of the Mayor and certain staff of the Municipality of Peterborough concerning the payment of \$8,000 to Mr. Stephen Davids and also enquire into the payment of certain monies for the attendance at Conservative Party functions by Mr. Frank Biss, Director of Development for the City of Peterborough

Mrs. Scrivener raised a point of order as to whether the proposed motion was within the Committee's order of reference. The Vice-Chairman indicated that he would refer the matter to the Chairman for a ruling next week.

Mrs. Scrivener moved that the Committee adjourn.

LOST.

EXHIBITS:

The following exhibits were filed with the Committee:

Exhibit 26A Unsigned, undated, draft agreement between Corporation of the City of Peterborough and Robot Research and Development Incorporated re purchase of promotional robot

Exhibit 26B Letter, dated March 9, 1982, from S. Davids to "Frank"

Exhibit 26C Signed agreement, dated March 23, 1982, between Corporation of the City of Peterborough and Robot Research and Development Incorporated re purchase of promotional robot

Exhibit 26D Copy of cheque for \$8,000, dated March 24, 1982, from Corporation of City of Peterborough payable to Robot Research and Development Inc.

Exhibit 26E Memorandum, dated March 23, 1982, from Frank D. Biss, Director of Development, City of Peterborough to Chuck W. Wills, Director of Finance and Administration Services, City of Peterborough, with attached purchase requisition

Exhibit 26F Memorandum, dated March 23, 1982, from Frank D. Biss, Director of Development, City of Peterborough to Richard J. Taylor, City Solicitor, City of Peterborough

... Cont'd

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

---

EXHIBITS:  
(Cont'd)

- Exhibit 26G Memorandum, dated March 24, 1982, from Richard Taylor, City Solicitor, City of Peterborough to Frank Biss, Director of Development, City of Peterborough
- Exhibit 26H City of Peterborough, By-Law 1961-127
- Exhibit 26I Memorandum, dated April 29, 1982, from Frank Biss, Director of Development, City of Peterborough, to Brian Horton, Chief Accountant, City of Peterborough
- Exhibit 26J Copy of cheque for \$150, dated May 5, 1982, from Corporation of City of Peterborough, payable to Muskoka P.C. Association
- Exhibit 26K Copy of Cheque, for \$150, dated May 5, 1982, from Corporation of City of Peterborough, payable to the Grossman Dinner
- Exhibit 26L City of Peterborough, Purchasing Procedures, undated
- Exhibit 27 Committee Research Officer, "Ontario's Crown Corporations"

ADJOURNMENT:

At 11:10 a.m., on motion by Mr. Wildman, the Committee adjourned until 10:00 a.m., Thursday, June 2, 1983.

Graham White

Graham White,  
Clerk of Committee

THIRD SESSION, THIRTY-SECOND PARLIAMENT  
STANDING COMMITTEE ON PUBLIC ACCOUNTS  
MEETING NUMBER 12

THURSDAY, JUNE 2, 1983

ORDER:

The Chairman, Mr. Reid, called the meeting to order at 10:08 a.m.

ATTENDANCE:

Members of the Committee: Messrs. Bradley, Cunningham, Harris, Havrot,  
Kennedy, Kolyn, Philip, Reid, Sargent,  
Mrs. Scrivener, Messrs. Wildman, Yakabuski

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards Branch

Ms. Elizabeth Gardiner, Research Officer, Legislative  
Research Service

Witnesses: Management Board Secretariat

Mr. Robert Carman, Secretary

Mrs. Gillian Gillespie, Senior Policy Officer

PROCEEDINGS:

The witnesses, Mr. Carman and Mrs. Gillespie, gave a presentation and answered questions from Members of the Committee.

The Chairman ruled out of order Mr. Philip's proposed motion respecting activities of officials of the City of Peterborough, as being insufficiently related to a specific item in The Public Accounts.

RULING BY CHAIRMAN

The Chairman then delivered the following ruling, arising from the proceedings in the Committee on May 26, 1983:

This matter turned on whether Mr. Philip was moving his motion or giving notice of it and thus whether it was in order to debate the motion. Members asked that they be provided with a copy of the Committee resolution setting out this procedure. No such resolution has been passed by this Committee in this Parliament, but the practice of not voting immediately on substantive motions had been established for some time before it was formally endorsed by the Committee on May 27, 1982, when a ruling of the Chair on this point was sustained on a recorded division.

The purpose in not voting immediately on motions is to give Members a chance to reflect on them and come to reasoned responses, not to, in effect, debate the same motion twice. Accordingly, I am today ruling that henceforth we will consider substantive motions, other than routine motions such as those to adjourn the debate or the meeting, to be given as notices of motion at one meeting, and then debated and, if the Committee sees fit, disposed of at the next meeting. As a courtesy to the Member giving notice of the motion, and to the other Committee Members, we will permit a brief statement explaining the intent of the motion when it is first presented, but no debate, on the analogy of first reading of a bill.

The Committee then considered its budget for 1983-84.

The Chairman then indicated to the Committee that he had received and accepted Mr. Kolyn's resignation as Vice-Chairman.

Mr. Wildman then gave notice of the following motion:

... Cont'



OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

PROCEEDINGS:  
(Cont'd)

That the Committee consider the accountability of crown corporations by examining the operations of two crown corporations in depth, invite the Ontario Waste Management Corporation and the Ontario Development Corporation -- examples of one such corporation that is just being established and one that has been in existence for some time -- to appear before the Committee to make presentations for our consideration, and set aside three days of Committee sittings for this purpose.

It was agreed that the Committee would invite representatives of the Ontario Waste Management Corporation before it on June 16, 1983, to consider section 3.10 of the Provincial Auditor's Report for 1981-82.

EXHIBITS:

The following documents were filed with the Committee as exhibits:

Exhibit 28 "Accountability of Agencies", paper presented to Committee by Secretary of Management Board of Cabinet, June 2, 1983

Exhibit 29 Letter, dated May 25, 1983, to Chairman from Chairman, Management Board of Cabinet, re: clarification of Manual of Administration

Exhibit 30A Memorandum of Understanding between the Minister of Tourism and Recreation and the Ontario Lottery Corporation, November 17, 1982

Exhibit 30B Memorandum of Understanding between the Minister of Agriculture and Food and the Ontario Food Terminal Board, November 30, 1979

Exhibit 30C Memorandum of Understanding between the Minister of Tourism and Recreation and the Niagara Parks Commission, March 16, 1982

Exhibit 30D Memorandum of Understanding between the Minister of Northern Affairs and the Ontario Northland Transportation Commission, October 9, 1980

Exhibit 30E Memorandum of Understanding between the Minister of Transportation and Communications and the Urban Transportation Development Corporation, June 12, 1979

Exhibit 30F Memorandum of Understanding between the Minister of Consumer and Commercial Relations and the Liquor Control Board of Ontario, November 22, 1979

Exhibit 30G Memorandum of Understanding between the Minister of Natural Resources and the Algonquin Forestry Authority, November 10, 1981

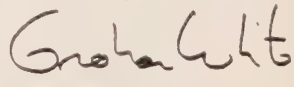
Exhibit 30H Memorandum of Understanding between the Minister of Energy and the Board of Directors of the Ontario Energy Corporation, June 20, 1979

Exhibit 30I Memorandum of Understanding between the Minister of Energy and the Board of Directors of Ontario Hydro, November 8, 1982

Exhibit 30J Memorandum of Understanding between the Minister of Agriculture and Food and the Ontario Stock Yards Board, October 12, 1979

ADJOURNMENT:

At 12:08 p.m., the Committee adjourned until Thursday, June 16, 1983.

  
Graham White,  
Clerk of Committee.

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

THIRD SESSION, THIRTY-SECOND PARLIAMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 13

THURSDAY, JUNE 16, 1983

ORDER:

The Chairman, Mr. Reid, called the meeting to order at 10:10 a.m.

ATTENDANCE:

Members of the Committee: Messrs. Bradley, Cunningham, Harris, Kennedy, Kolyn, Philip, Reid, Sargent, Wildman, Yakabuski

Substitution: Mr. Pollock for Mrs. Scrivener

Members, not of the Committee: Messrs. Conway, Elston

In attendance: Office of the Provincial Auditor

Mr. Douglas Archer, Provincial Auditor

Mr. Ken Leishman, Director, Reporting and Standards Branch

Ms. Elizabeth Gardiner, Research Officer, Legislative Research Service

Witnesses: Management Board Secretariat

Mr. Robert Carman, Secretary

Mrs. Gillian Gillespie, Senior Policy Officer

Ontario Waste Management Corporation

Dr. Donald Chant, President and Chairman of the Board

Mr. Michael Scott, Director of Communications

Dr. Barry Mitchell, Director of Planning and Development

PROCEEDINGS:

The Committee considered the accountability of crown corporations.

The witnesses, Mr. Carman and Mrs. Gillespie, made statements and answered questions from Members of the Committee.

The Committee then considered section 3.10 of the Provincial Auditor's Report for 1981-82, "Control Weaknesses and Irregularities, Ontario Waste Management Corporation"

The witnesses, Messrs. Chant, Mitchell and Scott, made statements and answered questions from Members of the Committee.

At 11:19 a.m., Mr. Harris assumed the Chair.

At 11:30 a.m., the Chairman resumed the Chair.

Mr. Wildman moved that Mr. Harris become the Committee's Vice-Chairman.

CARRIED.

The Committee then considered its budget for 1983-84.

Mr. Harris moved that the proposed budget, in the amount of \$35,099, be approved and the Chairman authorized to present the budget to the Board of Internal Economy.

CARRIED.

Mr. Wildman moved

That the Committee consider the accountability of crown corporations by examining the operations of two crown corporations in depth, invite the Ontario Waste Management Corporation and the Ontario Development Corporation -- examples of one such corporation that is just being established and one that has been in existence for some time -- to appear before the Committee to make presentations for our consideration, and set aside three days of Committee sittings for this purpose.

... Cont'd

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

---

PROCEEDINGS:  
(Cont'd)

After some time, Mr. Wildman withdrew his motion.

It was agreed that the Committee would meet for 3 days in September to consider specific crown corporations, and that the specific corporations to be reviewed would be selected by a subcommittee composed of the Chairman, the Vice-Chairman and Mr. Wildman. It was agreed that, if approved by the Board of Internal Economy, the Committee would visit Washington during the first week of October.

EXHIBITS:

The following documents were filed with the Committee:

Exhibit 31 Management Board of Cabinet, "Crown Corporations of the Ontario Government and "Accountability of Agencies", June 16, 1983

Exhibit 32 Committee Research Officer, Briefing material on section 3.10 of the Provincial Auditor's Report for 1981-82.

ADJOURNMENT:

At 12:15 p.m., the Committee adjourned until 10:00 a.m., Thursday, June 23, 1983.



Graham White,  
Clerk of Committee.

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS  
THIRD SESSION, THIRTY-SECOND PARLIAMENT  
MEETING NUMBER 14

THURSDAY, JUNE 23, 1983

Ministry of Revenue Building, Oshawa

ATTENDANCE:

Members of the Committee: Messrs. Bradley, Havrot, Kennedy, Kolyn,  
Reid, Mrs. Scrivener

Substitution: Mr. Cureatz for Mr. Harris

Appearing: Honourable George Ashe, Minister of Revenue

In attendance: Mr. Gordon Machen, Director, Specialized Audit and  
Resources Branch, Office of the  
Provincial Auditor

Ms. Elizabeth Gardiner, Research Officer, Legislative  
Research Service

PROCEEDINGS:

In accordance with the order of the House of June 2, 1983, the Com-  
mittee travelled to Oshawa to tour the Ministry of Revenue facilities.



Graham White,  
Clerk of Committee.



OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

---

THIRD SESSION, THIRTY-SECOND PARLIAMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 15

MONDAY, JULY 11, 1983

ATTENDANCE:

Members of the Committee: Messrs. Bradley, Cunningham, Kennedy, Kolyn,  
Philip, Reid, Mrs. Scrivener, Messrs. Wildman  
Yakabuski

PROCEEDINGS:

The Committee attended the Fifth Annual Meeting of the Canadian Council  
of Public Accounts Committees.



Graham White,  
Clerk of Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

---

THIRD SESSION, THIRTY-SECOND PARLIAMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 16

TUESDAY, JULY 12, 1983

ATTENDANCE:

Members of the Committee: Messrs. Bradley, Cunningham, Kennedy, Kolyn,  
Harris, Philip, Reid, Mrs. Scrivener, Messrs.  
Wildman, Yakabuski

PROCEEDINGS:

The Committee attended the Fifth Annual Meeting of the Canadian Council  
of Public Accounts Committees.

*Graham White*

Graham White,  
Clerk of Committee.

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

---

THIRD SESSION, THIRTY-SECOND PARLIAMENT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 17, 1983

WEDNESDAY, JULY 13, 1983

ATTENDANCE:

Members of the Committee: Messrs. Bradley, Cunningham, Harris, Kennedy,  
Kolyn, Philip, Reid, Wildman, Yakabuski

PROCEEDINGS:

The Committee attended the Fifth Annual Meeting of the Canadian Council  
of Public Accounts Committees.

*Graham White*

Graham White,  
Clerk of Committee.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NO. 18

TUESDAY, SEPTEMBER 27, 1983

ORDER:

The Committee met at 10:01 o'clock a.m. this day, the Chairman, Mr. Patrick Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Cunningham, Harris, Havrot, Kennedy, Kolyn, Sargent, Mrs. Scrivener, Messrs. Wildman, Yakabuski, Philip.

Substitution: Mr. McClellan for Mr. Philip.

Witnesses: From the Ontario Energy Corporation: Mr. T. Jarmain, Chairman; Mr. M. Rowan, President; Mr. H. Taylor, Public Auditor of the Corporation.

From the Algonquin Forestry Authority: Mr. B. Reynolds, Chairman; Mr. I.D. Bird, General Manager; Mr. M. Green, Treasurer.

Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch, Office of the Provincial Auditor.

In attendance: Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

The Committee commenced consideration of its Order of Reference dated June 16, 1983 relating to the Review of Crown Corporations.

Mr. Philip moved a notice of motion to be dealt with during the scheduled meetings of the Committee in two weeks' time:

That this Committee set aside its regular business at the earliest possible date to examine the finances of Ontario Hydro, in particular:

1. the financial situation of the Darlington nuclear generating station construction project, including an analysis of the funds expended to date and the likely costs of cancelling signed but uncompleted contracts as a result of
  - a) cancelling the entire station, or
  - b) cancelling units 3 and 4 of the station;
2. the cost of the major tube replacement program at Pickering "A" nuclear generating station, for which Hydro has been planning since the 1970s;
3. the total of Hydro's mothballing and write-off program in heavy water production and fossil fuel generation;
4. the relative effectiveness of Hydro's actual and planned expenditure in these areas in meeting Ontario's needs for electricity as compared with other possible alternative expenditures.

and

that this Committee request the Provincial Auditor to prepare such reports as he considers relevant to assist the Committee in its review of these matters.



- 2 -

After some time, the Chairman called for the first presentation.

The witnesses made statements and answered questions.

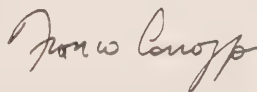
At 12:31 o'clock p.m. the Committee recessed until 2:15 o'clock p.m.

The Chairman called for the second presentation.

The witnesses made statements and answered questions.

ADJOURNMENT:

At 3:15 o'clock p.m. the Committee adjourned until 10:00 o'clock a.m.  
on Wednesday, September 28, 1983.



Franco Carrozza  
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NO. 19

WEDNESDAY, SEPTEMBER 28, 1983

ORDER:

The Committee met at 10:10 o'clock a.m. this day, the Chairman, Mr. Patrick Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Harris, Havrot, Kennedy, Kolyn, Sargent, Mrs. Scrivener, Messrs. Wildman, Yakabuski.

Substitutions: Mr. McClellan for Mr. Philip; Mr. Mancini for Mr. Cunningham.

Witnesses: From the Ontario Housing Corporation: Mr. A. Moses, Chairman; Mr. D. Beesley, General Manager.

From the Ministry of Municipal Affairs and Housing: Mr. L. Boates, Director, Financial Services Branch; Mr. B. LeMesurier, Senior Solicitor, Legal Branch.

From the Ontario Lottery Corporation: Mr. N. Morris, President; Mr. J. Van Camp, Controller.

Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch, Office of the Provincial Auditor.

In attendance: Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

The Committee resumed consideration of its Order of Reference dated June 16, 1983 relating to the Review of Crown Corporations.

The Chairman called the witnesses.

They made statements and answered questions.

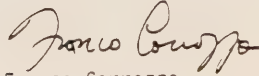
At 12:12 o'clock p.m. the Committee recessed until 2:10 o'clock p.m.

The Chairman called for the second presentation.

The witnesses made statements and answered questions.

ADJOURNEMENT:

At 3:55 o'clock p.m. the Committee adjourned until 9:00 o'clock a.m. on Thursday, September 29, 1983.

  
Franco Carrozza  
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

---

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NO. 20

THURSDAY, SEPTEMBER 29, 1983

ORDER:

The Committee met at 9:05 o'clock a.m. this day, the Chairman, Mr. Patrick Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Harris, Havrot, Kennedy, Kolyn, Sargent, Mrs. Scrivener, Mr. Wildman.

Substitutions: Mr. McClellan for Mr. Philip; Mr. Mancini for Mr. Cunningham.

Witnesses: From the Ontario Development Corporation: Mr. J. Joyce, Chairman; Mr. A. Croll, Executive Director; Mr. M. Bros, Corporate Secretary and Legal Counsel; Mr. B. Cass, Director, Legal Services; Mr. P. Byrnes, Consultant.

Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch, Office of the Provincial Auditor.

In attendance: Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

The Committee resumed consideration of its Order of Reference dated June 16, 1983 relating to the Review of Crown Corporations.

The Chairman called the witnesses.

They made statements and answered questions.

ADJOURNMENT:

At 11:50 o'clock a.m. the Committee adjourned until Monday, October 3, 1983 in Washington, D.C., U.S.A.



Franco Carrozza  
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 21

MONDAY, OCTOBER 3, 1983

WASHINGTON, D.C., U.S.A.

ORDER:

The Committee met at 9:35 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Cunningham, Havrot, Kennedy, Kolyn, Philip, Reid, Sargent, Mrs. Scrivener, Messrs. Wildman, Yakabuski.

Witnesses: From the Canadian Embassy: Mr. J. Roy, Deputy Chief of Mission; Mr. J. Taylor, Counsellor for Trade and Commerce; Mr. P. McKellar, Counsellor for Energy and Interprovincial Affairs.

From the General Accounting Office: Ms. E. Orr, Office of Foreign Visitors and International Audit Organizations Liaison; Mr. H. Havens, Assistant Controller General; Mr. R. Jenney, Senior Group Director, Program Analysis Division.

Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch, Office of the Provincial Auditor.

In attendance: Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

The Committee met at the Canadian Embassy for a briefing on U.S.-Canada relations.

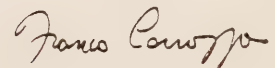
At 11:15 o'clock a.m. the Committee recessed until 1:35 o'clock p.m.

The Committee met with staff of the General Accounting Office.

The staff made statements and answered questions.

ADJOURNMENT:

At 4:00 o'clock p.m. the Committee adjourned until 10:00 o'clock a.m. on Tuesday, October 4, 1983.



Franco Carrozza  
Clerk of the Committee



OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

---

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 22

TUESDAY, OCTOBER 4, 1983

WASHINGTON, D.C., U.S.A.

ORDER:

The Committee met at 10:10 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Cunningham, Havrot, Kennedy, Kolyn, Philip, Reid, Sargent, Mrs. Scrivener, Messrs. Wildman, Yakabuski.

Witnesses: From the General Accounting Office: Mr. K. Fixman, Evaluator; Ms. R. Kleeman, Associate Director of Staff, General Government Division; Mr. G. FitzHew, Evaluator; Mr. W. Anderson, Associate Director, Information Management and Technology Division; Mr. D. Duquette, Group Director, Accounting and Financial Management Division; Mr. R. Warchiak, Legal Branch, Freedom of Privacy Specialist.

Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch, Office of the Provincial Auditor.

In attendance: Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

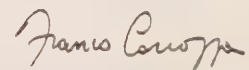
The Committee met with staff officers of the General Accounting Office where statements were made and questions answered.

At 12:19 o'clock p.m. the Committee recessed until 1:35 o'clock p.m.

The Committee resumed discussions with the staff officers of the General Accounting Office.

ADJOURNMENT:

At 4:05 o'clock p.m. the Committee adjourned until Wednesday, October 5, 1983.



Franco Carrozza  
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS  
MEETING NUMBER 23  
WEDNESDAY, OCTOBER 5, 1983  
WASHINGTON, D.C., U.S.A.

ORDER: The Committee met at 10:10 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Cunningham, Havrot, Kennedy, Kolyn, Philip, Sargent, Wildman, Yakabuski, Reid.

Witnesses: The Honourable Glenn English, Chairman, Sub-Committee on Government Information, Justice and Agriculture (House Committee on Government Operations).

Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch, Office of the Provincial Auditor.

In attendance: Ms. E. Gardiner, Research Officer.

PROCEEDINGS: Committee members attended a session of the House of Representatives and Committee hearings on Capitol Hill.

At 12:30 o'clock p.m. the Committee recessed until 2:30 o'clock p.m.

The Committee met the Honourable Glenn English. There was a discussion, questions were answered.

ADJOURNMENT: At 4:05 o'clock p.m. the Committee adjourned until further notice.

*Franco Carrozza*

Franco Carrozza  
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 24

THURSDAY, OCTOBER 20, 1983

ORDER:

The Committee met at 10:05 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Harris, Kolyn, Philip, Robinson, Mrs. Scrivener, Messrs. Yakabuski, Wildman, Reid.

Substitutions: Mr. Conway for Mr. Cunningham; Mr. Lane for Mr. Kennedy; Mr. Kerrio for Mr. Sargent.

Members, not of the Committee, present: Messrs. Rae, Di Santo, Van Horne, Cunningham (late).

Witnesses: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

In attendance: Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

The Chairman called the first item of business, Mr. Philip's motion. He made his ruling thus:

*That the mandate of the Committee as stated in Standing Order 91 is to improve the efficiency, responsibility and accountability of public spending, but it is not to discuss the merits of government policy.*

*Sections 1 and 4 of this motion deal specifically with the discussion of the merits of government policy (the adoption of nuclear energy for the production of electrical energy).*

*Therefore, under Standing Order 91 they are out of order.*

*Sections 2 and 3 are legitimate requests and can be debated by the Committee, adopted or rejected by a vote.*

*Further, that the Standing Committee on General Government will meet on Wednesday, October 26, 1983, when the Estimates of the Ministry of Energy will be discussed. Ontario Hydro comes under those Estimates.*

*If the Member wishes to continue with his motion, then a debate can proceed only on Sections 2 and 3.*

After some discussion and minor adjustments to the motion, Mr. Philip moved:

"That this Committee set aside its regular business at the earliest possible date to examine the finances of Ontario Hydro, in particular:

1. the financial situation of the Darlington nuclear generating station construction project, including an analysis of the funds expended to date and the likely costs of cancelling signed but uncompleted contracts as a result of
  - a. cancelling the entire station, or
  - b. cancelling units 3 and 4 of the station;
2. the cost of the major tube replacement program at Pickering "A" nuclear generating station,

- 2 -

for which Hydro has been planning since the 1970's;

3. the total of Hydro's mothballing and write-off program in heavy water production and fossil fuel generation;

and

That this Committee request the Provincial Auditor to prepare such reports as he considers relevant to assist the Committee in its review of these matters."

Shortly afterwards, Mr. Harris moved an amendment that read:

"Insert after "funds expended" the words "and contracts signed" and delete everything else after "to date"."

New Section 1 reads:

1. the financial situation of the Darlington nuclear generating station construction project, including an analysis of the funds expended and contracts signed to date.

Mrs. Scrivener further moved that: "This Committee request the Auditing firm for Hydro to prepare such reports as they consider relevant etc."

After some debate, the question being put on Mrs. Scrivener's amendment, it was defeated by a show of hands: Ayes: 4; Nays: 5.

After some debate, the question being put on Mr. Harris' amendment it carried by a show of hands: Ayes: 6; Nays: 5.

After some debate on Mr. Philip's motion as amended by Mr. Harris, the question being put on the motion, it carried unanimously.

The Chairman called on Mr. Conway.

After some time, he gave notice of motion.

Mr. Conway's notice of motion:

1. That the Public Accounts Committee summon Mr. Alan Gordon, Deputy Minister of Government Services, to appear before it, at the earliest opportunity, for the purpose of examining tendering and related practices within his department.
2. That the Committee request the Provincial Auditor to table the report presently under review on matters raised in the press, relating to tenders of the telephone directory and consultants.

The Chairman called on the Provincial Auditor to review the remaining items on the Agenda.

The Chairman briefly discussed future business.



- 3 -

ADJOURNMENT:

At 11:50 o'clock a.m. the Committee adjourned until Thursday,  
October 27, 1983.



Franco Carrozza  
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 25

THURSDAY, OCTOBER 27, 1983

ORDER:

The Committee met at 10:10 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Cunningham, Harris, Kennedy, Kolyn, Robinson, Sargent, Mrs. Scrivener, Messrs. Wildman, Yakubuski, Reid.

Substitution: Mr. Di Santo for Mr. Philip.

Members, not of the Committee, present: Messrs. Peterson, Breithaupt.

Witnesses: From the Ministry of Energy: Mr. M. Rowan, President, Ontario Energy Corporation.

From the Ministry of the Environment: Dr. D.A. Chant, Chairman and President, Ontario Waste Management Corporation; Mr. M. Scott, Director of Communications, Ontario Waste Management Corporation.

Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch, Office of the Provincial Auditor.

In attendance: Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

The Committee commenced its review of the Provincial Auditor's Report: Section 4.6.

The Chairman called the witness. He made comments and answered questions.

The members of the Committee provided the Provincial Auditor with questions regarding Ontario Hydro.

Mr. Peterson proposed to give notice of motion to the Committee but because he is not a member of the Committee Mr. Cunningham accepted the responsibility for the notice of motion, to stand under his name.

A discussion ensued.

Some time later, the Chairman called upon the next witness. He answered questions.

The Chairman accepted the proposed notice of motion from Mr. Cunningham as well as one from Mr. Wildman. It was decided that they would be discussed at the next meeting of the Committee.

There was a discussion on the Committee's agenda. Some matters were put aside because of lack of time to review them while others were rearranged.

The following documents were filed with the Clerk of the Committee as exhibits:

- |       |   |
|-------|---|
| No. 1 | Mr. M. Harris, M.P.P. - questions re Ontario Hydro.   |
| No. 2 | Mr. A. Kolyn, M.P.P. - questions re Ontario Hydro.    |
| No. 3 | Mr. A. Robinson, M.P.P. - questions re Ontario Hydro. |
| No. 4 | Mr. B. Wildman, M.P.P.; Mr. E. Philip, M.P.P.;        |

- 2 -

Mr. O. DiSanto, M.P.P. - questions re Ontario  
Hydro.

ADJOURNMENT:

At 11:58 o'clock a.m. the Committee adjourned until Thursday,  
November 3, 1983.



Franco Carrozza  
Clerk of the Committee

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 26

THURSDAY, NOVEMBER 3, 1983

ORDER:

The Committee met at 10:05 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Cunningham, Harris, Kennedy, Kolyn, Philip, Robinson, Sargent, Mrs. Scrivener, Messrs. Wildman, Reid.

Substitution: Mr. J. Johnson for Mr. Yakabuski.

Members, not of the Committee, present: Messrs. Barlow, Di Santo, Kerrio, Rae.

Witnesses: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

In attendance: Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

The Chairman called upon the Provincial Auditor to outline his proposed approach to the review of Ontario Hydro with regard to the questions which were filed with the Committee at its last meeting.

After some debate, Mr. Harris moved, - That the Auditor be authorized to proceed with the report on items 1, 2, 3, and 4 on Ontario Hydro as per the plan the Auditor has tabled with the Committee and the letter and attachments dated November 3, 1983.

Mr. Philip later moved an amendment to the motion. It stated:

"And that a sub-committee be established consisting of three Progressive Conservatives, two Liberals and one N.D.P., including the Chairman as one of the Liberals, and that this Committee meet with the Auditor to discuss those questions which he has categorized under item 5 and that the Auditor report back to the Committee at its next meeting any questions he might have re-categorized and the sub-committee report back at the same time any matters on which a consensus was not reached."

After some time, the question being put on Mr. Philip's amendment, it was defeated on the following division:

AYES:

Mr. Bradley  
Mr. Cunningham  
Mr. Sargent

Mr. Philip  
Mr. Wildman

- 5

NAYS:

Mr. Harris  
Mr. Kolyn  
Mr. J. Johnson

Mr. Robinson  
Mrs. Scrivener  
Mr. Kennedy

- 6

The Chairman called for a vote on Mr. Harris' motion.



- 2 -

The question being put on the motion, it carried on the following division:

AYES:

Mr. Kennedy	Mr. Robinson	
Mr. Kolyn	Mr. Harris	
Mr. J. Johnson	Mrs. Scrivener	- 6

NAYS:

Mr. Bradley	Mr. Philip	
Mr. Cunningham	Mr. Wildman	
Mr. Sargent		- 5

Mr. Harris gave notice of motion: That consideration of the last paragraph of the Auditor's report, page 2, dated November 3, 1983, be deferred until the next regular meeting of the Committee.

The Chairman called for Mr. Cunningham's motion. It stated:

"In view of what would appear to be a very serious abuse by the current Secretary for Justice, Mr. Gordon Walker, in the awarding and creation of contracts without tenders, I move that the Public Accounts Committee request the Provincial Auditor to inquire whether value for money was obtained in contracts awarded to Donald R. Martyn (\$207,000) and contracts for speech writing to Matrix Communications in the sum of \$206,000, owned by Gwyn Williams. In addition, that the Committee request the Provincial Auditor to examine the extent to which outside "communications consultants" are hired by Cabinet Ministers, the existence of an actual contract, the existence of a fixed limitation in spending."

After some debate, the question being put on the motion, it was defeated on the following division:

AYES:

Mr. Bradley	Mr. Philip	
Mr. Cunningham	Mr. Wildman	
Mr. Sargent		- 5

NAYS:

Mr. Kennedy	Mr. Harris	
Mr. Kolyn	Mr. Robinson	
Mr. J. Johnson	Mrs. Scrivener	- 6

The Chairman called for Mr. Wildman's motion.

Mr. Wildman moved, - That this Committee set aside time prior to December 1, 1983, to call before it such persons, including the Provincial Secretary for Justice, and the Chairman of the Management Board of Cabinet, as may be necessary in order to ascertain whether the procedures outlined in the Ontario Manual of Administration were followed in the letting of contracts totalling \$153,000 for consulting services in connection with the opening of six technical centres in Ontario; and the Standing Committee look at ways in which these procedures might be better provided for or specified in the Manual of Administration and that the Standing Committee investigate whether similar practices have been or are being pursued by other Ministries.

- 3 -

A little while later the Chairman informed the Committee that the scheduled Committee sitting was coming to a close and asked for advice.

Mrs. Scrivener suggested that the Committee continue until the matter was resolved.

The Committee agreed.

The Chairman called for a vote on Mr. Wildman's motion. A recorded vote was requested.

The question being put on Mr. Wildman's motion, it was defeated on the following division:

AYES:

Mr. Bradley  
Mr. Cunningham

Mr. Philip  
Mr. Wildman

- 4

NAYS:

Mr. Harris  
Mr. Kennedy  
Mr. Kolyn

Mr. J. Johnson  
Mr. Robinson  
Mrs. Scrivener

- 6

The following document was filed with the Clerk of the Committee as an Exhibit:

No. 1

Mr. D. Archer, Provincial Auditor,  
Letter dated November 3, 1983 re  
Ontario Hydro review.

ADJOURNMENT:

At 12:46 o'clock p.m. the Committee adjourned until Thursday, November 17, 1983.



Franco Carrozza  
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

---

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 27

THURSDAY, NOVEMBER 17, 1983

ORDER: The Committee met at 10:05 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Cunningham, Harris, Kolyn, Philip, P. Reid, Robinson, Mrs. Scrivener, Messrs. Sargent, Wildman, Yakabuski.

Substitution: Mr. Havrot for Mr. Kennedy.

Members, not of the Committee, present: Messrs. Conway, B. MacKenzie.

Witnesses: From the Office of the Provincial Auditor: Mr. D. F. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch; Mr. G. Calderwood, Audit Manager, General Government Branch.

In attendance: Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Chairman called the first item of business.

Mr. Cunningham moved, - That this Committee request, through the Chairman, permission from the Legislature to hold meetings, when the House is in session, for the purpose of writing its Annual Report.

The question was put on the motion. It carried.

The Chairman called the second item on the agenda.

Mr. Philip moved, - That this Committee request, through the Chairman, permission from the Legislature to hold meetings, for at least three weeks between the Sessions of the Legislative Assembly, to review the report of the Provincial Auditor.

The question being put on the motion, it carried.

The Chairman called the third item on the agenda.

The Provincial Auditor made a statement on the report on the Deputy Minister of Government Services.

After some time, Mr. Bradley moved, - That the Standing Committee on Public Accounts summon Mr. Alan Gordon, Deputy Minister of Government Services, to appear before it at the earliest opportunity for the purpose of examining tendering and related practices within his department.

Mrs. Scrivener moved an amendment, - That the words "the report of the Provincial Auditor as it concerns" be inserted after the words "for the purpose of examining".

The question being put on the amendment, it carried, by a show of hands: AYES 6; NAYS 4.

The question being put on Mr. Bradley's motion as amended by Mrs. Scrivener, it was carried.

The amended motion read:

'That the Public Accounts Committee summon Mr. Alan Gordon, Deputy Minister of Government Services, to appear before it, at the earliest opportunity, for the purpose of examining the report of the Provincial Auditor as it concerns tendering and

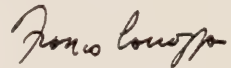
- 2 -

Mr. Philip gave notice of motion:

"That Mr. Alan Gordon be requested to re-appear before this Committee so that the Committee, with the assistance of the Provincial Auditor, can investigate the matter of a \$50,000 food contract given without tender to Mr. Joe Dineley, to decide whether or not there has been a violation of the Manual of Administration in this matter as well."

ADJOURNMENT:

At 12:32 o'clock p.m. the Committee adjourned until Thursday, December 1, 1983.



Franco Carrozza  
Clerk of the Committee



OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

---

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 29

TUESDAY, NOVEMBER 29, 1983

ORDER:

The Committee met at 3:35 o'clock p.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Cunningham, Harris, Kennedy, Kolyn, Philip, P. Reid, Mrs. Scrivener, Messrs. Wildman, Yakabuski.

Witnesses: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor, Mr. K. Leishman, Director, Reporting and Standards Branch.

In attendance: Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

The Committee met in camera to consider its report to the House.

ADJOURNMENT:

At 4:45 o'clock p.m. the Committee adjourned until Thursday, December 1, 1983.



Franco Carrozza  
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 30

THURSDAY, DECEMBER 1, 1983

ORDER:

The Committee met at 10:04 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Cunningham, Harris, Kennedy, Kolyn, Philip, P. Reid, Robinson, Mrs. Scrivener, Messrs. Wildman, Yakabuski, Sargent.

Substitution: Mr. Conway for Mr. Bradley.

Members, not of the Committee, present: Messrs. Bradley, O'Neil.

Witnesses: From Management Board of Cabinet: Mr. R. D. Carman, Secretary of the Management Board.

From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director of Reporting and Standards Branch.

In attendance: Ms. E. Gardiner, Research Officer.

PROCEEDINGS:

The Chairman called the first item of business.

The Provincial Auditor answered questions.

After some time, Mr. Kolyn moved, - That the report be received as one submission to the Committee.

After some debate which involved item 3 on the Draft Agenda, the question being put on the motion, it carried on the following division:

AYES:

Mr. Harris  
Mr. Kolyn  
Mr. Kennedy

Mr. Robinson  
Mrs. Scrivener  
Mr. Yakabuski  
- 6.

NAYS:

Mr. Philip  
Mr. Wildman

Mr. Conway  
Mr. Cunningham  
Mr. Sargent  
- 5.

After some debate, Mr. Harris moved, - That the Auditor's Report on Ontario Hydro be based on questions in Categories 1, 2, and 3, and all matters of finances of Ontario Hydro that the Auditor considers necessary to complete a full report on items 1, 2, and 3.

After some debate, the question being put on the motion, it carried on the following division:

AYES:

Mr. Harris  
Mr. Kennedy  
Mr. Kolyn

Mr. Robinson  
Mrs. Scrivener  
Mr. Yakabuski  
- 6.

- 2 -

NAYS:

Mr. Philip  
Mr. Wildman

Mr. Conway  
Mr. Cunningham  
Mr. Sargent

- 5.


The Chairman called the second item of business.

The witness, Mr. Carman, made a statement and answered questions.

There was a long debate.

ADJOURNMENT:

At 12:35 o'clock p.m. the Committee adjourned until Thursday,  
December 8, 1983.



Franco Carrozza  
Clerk of the Committee

OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

---

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 31

MONDAY, DECEMBER 5, 1983

ORDER:

The Committee met at 3:55 o'clock p.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE:

Members of the Committee present: Messrs. Bradley, Cunningham, Harris, Kennedy, Kolyn, Philip, P. Reid, Robinson, Sargent, Mrs. Scrivener, Messrs. Wildman, Yakabuski.

Witnesses: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

In attendance: Ms. E. Gardiner, Research Officer.

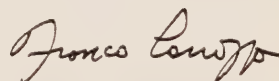
PROCEEDINGS:

The Committee met in camera to complete its Annual Report.

At 6:05 o'clock p.m. the Committee recessed until 8:11 o'clock p.m.

ADJOURNMENT:

At 9:45 o'clock p.m. the Committee adjourned until Thursday, December 8, 1983.



Franco Carrozza  
Clerk of the Committee



OFFICE OF THE CLERK OF THE LEGISLATIVE ASSEMBLY

---

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEETING NUMBER 32

THURSDAY, DECEMBER 8, 1983

ORDER: The Committee met at 10:15 o'clock a.m. this day, the Chairman, Mr. P. Reid, presiding.

ATTENDANCE: Members of the Committee present: Messrs. Bradley, Harris, Kennedy, Kolyn, Philip, P. Reid, Robinson, Mrs. Scrivener, Messrs. Wildman, Yakabuski, Sargent.

Witnesses: From the Office of the Provincial Auditor: Mr. D. Archer, Provincial Auditor; Mr. K. Leishman, Director, Reporting and Standards Branch.

In attendance: Ms. E. Gardiner, Research Officer.

PROCEEDINGS: The Chairman called Item 1 on the agenda, relating to the motion by Mr. Philip. The motion stated:

"That Mr. Alan Gordon be requested to appear before this Committee so that the Committee, with the assistance of the Provincial Auditor, can investigate the matter of a \$50,000 food contract given without tender to Mr. Joe Dineley to decide whether or not there has been a violation of the Manual of Administration."

After some debate, the question being put on the motion, the result of the vote was AYES 5; NAYS 5.

The Chairman cast his vote in the affirmative.

The motion was carried: AYES 6; NAYS 5.

The Chairman called Item 2 on the agenda, relating to the Budget of the Committee for the meetings of the Committee in the Spring.

Mr. Harris moved, - That the 1983 Supplementary Budget of the Committee in the amount of \$37,555.00 be approved and that the Chairman present the Budget to the Board of Internal Economy.

The motion was carried.

Mr. Philip moved a procedural motion, which the Chairman found to be in order.

Mr. Philip's motion stated:

"That on completion of his investigation into the matter of contracts being given without tender by Mr. Gordon Walker, in his capacity as Minister of Industry and Trade, the Auditor table the contracts and his report with the Committee and that the Committee meet for two days to deal with this matter as soon after the documents have been tabled as the Chairman might designate."

After some debate, the motion was defeated on the following division:

- 2 -

AYES:

Mr. Bradley  
Mr. Sargent

Mr. Philip  
Mr. Wildman - 4.

NAYS:

Mr. Harris  
Mr. Kennedy  
Mr. Kolyn

Mr. Robinson  
Mrs. Scrivener  
Mr. Yakabuski - 6.

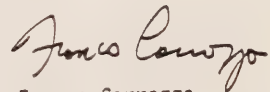
At 11:10 o'clock a.m. the Committee met in camera to discuss certain matters relating to the Annual Report and meeting dates.

Mr. Harris moved, - That the Chairman be authorized to present to the House the Committee's 1983 report and move the adoption of its recommendations. CARRIED.

The Committee agreed to meet on February 28, 29 and March 1, 6, 7, 8, 1984.

ADJOURNMENT:

At 11:50 o'clock a.m. the Committee adjourned until further notice.



Franco Carrozza  
Clerk of the Committee

431800036











JUL 6 1994



3 1761 11468608 2

